COMMUNITY HOUSING INVESTMENT PARTNERSHIP ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

PORTLAND, OR, AUGUST 9, 1989

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COMMUNITY HOUSING INVESTMENT PARTNERSHIP ACT

WEDNESDAY, AUGUST 9, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON REGULATION,
BUSINESS OPPORTUNITIES, AND ENERGY,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in the Martin Luther King Neighborhood Facility, Portland, OR, Hon. Ron Wyden (chairman of the subcommittee) presiding.

Chairman WYDEN. The Subcommittee on Regulation, Business Opportunities, and Energy will come to order. It is a special pleasure to convene today's field hearing in this fine facility where I have held many town hall meetings over the years. It is a special pleasure to be able to welcome two of our very fine local officials, Commissioner Bogle and Commissioner Kafoury. Prior to their testimony the Chair will make a brief opening statement and then we will proceed with our witnesses.

Today, the Subcommittee on Regulation, Business Opportunities, and Energy convenes to examine the concerns and possibilities for Oregon neighborhoods. This hearing will help build the record for the Community Housing Investment Partnership Act, legislation I have introduced to rehabilitate our neighborhoods so that low-income families can achieve the dream of home ownership.

I am of the view that we will see a major housing package enacted in this session of Congress, and the record that we build today will be absolutely essential if we are to best address Oregon's housing needs as part of that legislative package.

The Community Housing Investment Partnership Act would establish a national strategy to rebuild neighborhoods around the country, as well as to make the Federal Government a better partner in local rehabilitation efforts.

The first section of the bill would provide much needed funds to rehabilitate 2,700 houses that the water bureau has deemed to be abandoned. This section would replace funds for low-interest housing rehabilitation loans, expand eligibility for Federal Nehemiah neighborhood grants, and establish federally supported community sweat equity programs.

The low-interest section 312 loans were once widely used in Portland to rehabilitate commercial and low cost housing. Last year, $200 million from this successful program was removed in order to appropriate money for a space station. Nehemiah grants are given

to cities to rehabilitate neighborhoods in severe decline. But this program has not been available to Portland, because the eligibility standards narrowly dictated that only neighborhoods consisting of entire blocks of abandoned properties are qualified.

Portland has neighborhoods that need this money greatly, but were disqualified because the abandoned houses are intermingled with occupied homes.

Sweat equity programs would help people who cannot afford homes to use their skills and labor instead of cash. This way, vacant and abandoned properties would be made available to low-income families. They would receive training in basic home maintenance and repair. Additional help in getting tools and materials or in tackling complicated repair jobs would also be given.

The legislation also establishes new security deposit loan funds. There are a variety of loan funds that are now available for home buyers. But one of the things that my office has consistently heard is that renters are also concerned about loan funds. Many people become homeless, or stay homeless, simply because they do not have the money to pay the large deposit fees required to get an apartment. Zero or low-interest security deposit loan funds would be available through local nonprofit agencies to help renters who can afford the monthly rent, but at present cannot raise the very large sums of cash that are necessary for deposits.

Finally, the Community Housing Investment Partnership Act would ease the eligibility criteria for designation of Federal enterprise zones. These zones provide incentives for businesses to locate in targeted, economically depressed areas. These businesses can bring jobs, goods, and services, and pump considerable assistance into poor neighborhoods. The requirements for eligibility need to be updated so Portland can better compete for this valuable designation.

Finding a decent place to live, in my view, should not be like trying to win the lottery, but right now for too many families, that is the name of the game. Across Oregon, and across this country, too many families of modest incomes have all but given up the chance of owning their own home, and even the possibility of finding affordable rental housing is a matter of chance.

In my view, it just does not make sense that abandoned properties are not used for families who are crowded into substandard rental housing, who are paying more rent than they can afford, who double up with relatives, or live in transitional shelters in and out of their cars around the Morrison Bridge.

Transforming vacant houses into homes for families would also yield positive results for our neighborhoods. The new homeowners would be members of our community and obviously have a vested interest in enhancing the quality of life in Oregon. Instead of crack houses swarming with pipe heads, you would have playgrounds for kids, and businesses can prosper when new homeowners need goods and services.

So, we are happy to have a chance to have you as our expert witnesses. You have been very vigorous advocates in the past for human services programs, such as the housing needs we will be discussing today. We will make your prepared remarks part of the hearing record in their entirety, and as I always say, just talk to

us, give us your views from the heart. Why do we not begin with you, Commissioner Bogle, and then we will go to Commissioner Kafoury. We welcome you and thank you for your assistance.

[Mr. Wyden's opening statement may be found in the appendix.]

TESTIMONY OF DICK BOGLE, COMMISSIONER, CITY OF PORTLAND

Mr. BOGLE. Well, Congressman Wyden, ladies and gentlemen, good morning and thank you for inviting me to testify on behalf of how the city of Portland is rising to meet the challenge of neighborhood revitalization and affordable housing.

I know I speak for Mayor Clark and others on the city council in saying that these concerns are among our top priorities. They are concerns that I am addressing personally, not only in my role as commissioner of public safety, but as someone who grew up in Portland and cares about the city's future. I want to see livability restored into some fine old neighborhoods that were allowed to deteriorate and then allowed to fall under the control of drug dealing gangs.

I want to see decent, affordable housing made available to every individual and every family living in Portland. I want to see educational opportunities for all and decent jobs, jobs that pay a living wage and open doors for advancement. I want to see our streets and neighborhoods made safe again.

All these elements are critical to neighborhood revitalization, because without education, employment opportunities, and an atmosphere of peace and hope, the incentives to improve and maintain property, are weak at best.

Well, these are the goals, and here are a few steps the city is taking to achieve them. Last year I created the Abandoned Buildings Task Force, a panel of knowledgeable citizens charged with recommending ways and means of returning abandoned structures to productive use, including restoration as low-income housing.

The group later joined forces with the Mayor's Homestead Committee, adding technical expertise of bureau and other public employees. The combined task force represented a wide variety of interests of organizations, including the Portland Development Commission, Housing Authority of Portland, Oregon Housing Agency, Northeast Community Development Corporation, Oregon Savings and Loan League, Office of Neighborhood Associations, and some others.

What resulted was the first comprehensive survey of abandoned buildings in the city and a long list of excellent workable recommendations. The panel's list of solutions forms the cornerstone of the Mayor's Neighborhood Revitalization Strategy.

This strategy, which the city council enthusiastically embraced, creates a model partnership between public agencies, private groups, and citizens, with the aim of pooling all available resources to help solve neighborhood problems.

Now, through the Neighborhood Revitalization Management Panel, citizens are working with the city, county, housing authority, school district, chamber of commerce, and United Way, in a

collaborative effort to ensure high standards of livability for all Portland neighborhoods.

The city welcomes the Federal sector as a partner in this work and applauds the Oregon congressional delegations for seeking to make resources available.

We are especially pleased with your efforts, Congressman Wyden, to make sure that Federal programs are flexible enough to meet Portland's needs, specifically, your amendments to the Housing and Community Development Act of 1987. One is a proposed technical amendment to the Nehemiah Housing Opportunities Program.

Now the original legislation makes this tool workable only in communities where a deteriorating housing stock, combined with a stagnant economy, has caused wholesale abandonment of homes.

Even though the task force found approximately 2,700 abandoned housing units in the city, those units were scattered throughout our neighborhoods. This scattering may reduce the appearance of stress on a given city block, but it actually makes a far larger area vulnerable to decay.

We have a desperate need for these resources offered under the Nehemiah Program, and we need those dollars for prevention, as well as rehabilitation. In other words, we want to stop the spread of blight before neighborhoods are totally devastated.

You will be pleased to learn that just last week, the city council agreed to a package of fee waivers requested by the Northeast Community Development Corporation. NECDC, as you may know, is a not-for-profit private agency formed to rehabilitate properties in Northeast Portland and to provide skilled job training for area residents. The city's fee waivers will cut the cost of the 250 new and remodeled homes in the corporation's $4 million Nehemiah grant proposal by some $200,000. I had instructed the Bureau of Buildings to research ways in which the city could support the project, and the fee waivers were incorporated in last week's resolution supporting the grant application.

Here I would like to salute my colleague, Commissioner Mike Lindberg. He came through with an amendment that added water and sewer hook-up fees to the list of waivers. So, the city of Portland is serious, to the tune of $200,000, and we want that Nehemiah grant.

Incidentally, the $200,000 will come from the city's general fund and the Bureau of Community Development. We will not increase fees across the board to cover these waivers.

Congressman Wyden, you have also proposed some amendments which would qualify Portland under the Federal enterprise zone legislation. Designation as a Federal enterprise zone, as well as a State enterprise zone, would greatly enhance current economic development activities.

On behalf of the city council, I would like to thank you, Congressman Wyden, both for recognizing that Portland would be ineligible, and for taking the initiative to turn the situation around. As commissioner-in-charge of the Bureau of Buildings, I am overseeing a local initiative which should now, if adopted, put the squeeze on owners of abandoned buildings. The bureau is working with the Portland Housing Coalition, a group representing every

facet of the housing industry, on a City-Wide Abandoned Buildings Registration Program.

Under this program, owners would be required to register their abandoned properties with the city and pay an appropriate fee, and they would also be required to maintain the property and declare their intention to rehabilitate the structure by a certain date. A failure to comply could cause the property to go into receivership, with the Northeast Community Development Corporation, or the Portland Development Commission, as possible receivers.

The city lobbied in the 1989 legislative session in Salem for the bill that authorizes receivership of abandoned properties, and we also worked for passage of legislation that would allocate State lottery funds for revitalization assistance to cities. It passed, but with no dollar amount attached. We will have to wait for emergency board action to see what impact this measure will have on Portland.

The Bureau of Buildings is taking some other steps to assist with neighborhood revitalization. Right now we are working with the Oregon Air National Guard on a neighborhood clean-up plan. In addition to personnel, the Guard would provide tow trucks for abandoned vehicles and dump trucks for trash, and we are hopeful that Metro will get behind the plan by waiving its dumping fees, as well as other fees associated with neighborhood revitalization.

The city council has also transferred funds to the Energy Office for continuation of another program, which aids the overall effort. I am referring to the city's Block-by-Block Weatherization Program, which helps low-income citizens weatherize their homes.

The steps I have outlined are pieces of a large and complex puzzle, and each step, no matter how small, leads us closer to the goal of clean, safe neighborhoods for every citizen.

The Nehemiah grant would represent a giant step, one I hope and pray we are privileged to take. Regardless, we are seeing the people of Portland pulling together, perhaps as never before, on the issues that combine to affect livability, jobs, housing, public safety, and the rest.

I am confident that by pooling our resources, local, State, and Federal, we can make the dream of neighborhood revitalization a reality.

Again, Congressman Wyden, thank you for this opportunity to share these thoughts with you and the committee, and if you have any questions I would be glad to take a stab at answering those.

[Mr. Bogle's statement may be found in the appendix.]

TESTIMONY BY GRETCHEN KAFOURY, MULTNOMAH COUNTY COMMISSIONER

Ms. KAFOURY. I appreciate being here this morning. I will not repeat a lot of the basic information that Dick has given you. The county's role in housing is a little bit different, and maybe I can set the stage by describing that our main focus is not the housing, although we do run community development programs for the nonurbanized areas and the noncity of Portland areas. We have the CDBG grants for them, so the county does have an important piece of housing development in the non-Portland part of this county.

But our major mission has been the provision of human injustice services. We find, without a doubt, that housing is the brick wall that we run into with almost all of the programs we attempt to manage and fund. When we are working with homeless families, obviously the connection there is clear. We are trying to find a way to move these families from the inadequate, but necessary, shelter situation into more permanent transitional, and finally, stable housing.

We are very depressed about the neighborhood degeneration, and this too impacts the way our county residents can live and do their business. The need for housing for chemically dependent populations. Dick has identified the problems with drugs and alcohol in the neighborhoods, but the other side is a place to have the people in treatment live without constantly being exposed to it. So, we need to develop that option as well.

Our absolutely bottom line is that for people to keep a job, they need a place to live, and we find that the economic stability is threatened when people have no place to live.

The years that we have seen the decline of Federal response to the needs for housing have done one creative thing for the local jurisdictions, I think. It has forced us to take more responsibility for housing and to work together more cooperatively with the local lending institutions for some of these creative programs. Several of the efforts that we are doing locally, I think, explain, as Dick has done eloquently, how we have been able to pull these partnerships together. So, trying to find a little silver lining in the fact that the Federal Government is not meeting its responsibility has meant, at least, that we have been forced to work together and, I think, have emerged stronger.

I think what we need now is this tremendous infusion and support from the Federal Government, both in the Nehemiah Program and the CHIP Program.

The county's role in the neighborhood revitalization has primarily been to get the housing stock that we have—the sheriff takes possession of vacant and abandoned properties after a period of time—and to get that moving. We were with the city at the legislature and have been able to telescope the timing now. We do not have to wait quite as long and make quite as many efforts to locate homeowners, or owners of the abandoned and vacant properties. That will help us as we turn it over.

What we have been in the process of doing, and if you have today's Oregonian you are reading about the county, we are having a little bit of trouble. What we are trying to do is get some 42 current houses and a projection for another 88 in the next 2 years turned over to the Northeast Community Development Corporation, so that they will have those as part of their public housing properties to apply for the Nehemiah grant.

We are hung up, not on an unwillingness to participate, but on what do we do about the back taxes, because the provisions have been in the past that we sell these properties at a sheriff's sale and collect at that time, sometimes a small profit, but usually just the back taxes. We are trying to find a way to waive the back taxes, or as much of them as possible, and the city of Portland has already agreed to waive their share. I think we are willing to waive the

county's 15 percent. The piece that is up in the air is that the majority of those taxes belong to the school district and go to school districts and it is significant for them to waive 53 percent. We are talking several hundreds of thousands of dollars when you get into this number of houses. I think, however, from several conversations with the school district, that they, too, would be willing to discuss this. These are properties that they are currently receiving nothing for, and there are no families living in them, there are no school children in them, so certainly they, too, can see the advantage to being able, so I wanted to give you the paper. I hope the paper was a little more pessimistic than it needed to be about our potential in that area.

I think that is the main piece of information I wanted you to have about the county's role. We provide most of the social services for these families, once they get settled, and whatever we can do before that in getting the properties turned over and into the hands of PCD and subsequently to a variety of neighborhood development corporations.

I should also mention that the legislature under our friend, Beverly Stein's leadership and Judy Bauman, was able to set up a technical assistance fund for new community development corporations, and we are hopeful, being a county-wide program, that there will be more of these neighborhood development corporations established. So, we are trying to write a good policy, not just for northeast Portland, but for all of the county and hope that eventually we will see thriving efforts to reclaim vacant and abandoned housing throughout the county.

We do appreciate your taking time to come, and any assistance is terrific.

Chairman WYDEN. Commissioner, thank you and thank you for an excellent presentation. I think you really hit it right on the head when you talk about where we are with the Nehemiah Program. We are talking about taking abandoned properties and, when we get them transferred, the chance to once again have hope and opportunity for our community. I just want you to know on my way home I was making calls yesterday from the Chicago airport to commissioners, trying to make the very case that you have made so eloquently.

Ms. KAFOURY. Maybe you need to call them again.

Chairman WYDEN. I think the opportunity to continue these discussions with the school districts as well is going to be pivotal, and I will be following up after this meeting. We have just a little bit more time to get this ironed out, and it seems to me that is an essential. We have an opportunity here, and my legislation, as you know, would expand the Nehemiah Program by statute. I think that is also very, very important.

Just for the record, both the city and the county support the CHIP legislation; is that correct?

Ms. KAFOURY. Yes.

Mr. BOGLE. Yes.

Chairman WYDEN. OK. With a little bit of luck we will be able to do both.

Ms. KAFOURY. One of the interesting issues with the Nehemiah, and it shows the need that Dick spoke to earlier, having flexibility

at local levels, is that here in the West we do not have the suppl of public land in ownership. Neither the city nor the county hav these massive reserves of properties that we could deed over, giv to private corporations, or development corporations to do this, an I understand Chicago and points East would have a very differer configuration. So, again, we are struggling to find 42 and 88 prope ties that we can deed over, and it makes it much more difficul when we do not have direct outright ownership of this land.

Chairman WYDEN. Well, you are being too logical, and we canno have all this logic break into the debate from time to time. But that, in short, is the problem, that at present it does work for some of the eastern cities and areas that have a different configuration where their properties are, but it does not work for us, and I just want you to know that both in terms of getting our local officials contacted, and I have been doing that for the last 24 hours, we are also going to pursue this by statute, so that it is not so open ended and just a question in the future of trying to do this by discretion, but for all time change the Nehemiah Program so it is tailored to something that western areas can use as well.

A couple of other questions, if I could. I have also heard a great deal from community groups about the importance of the 312 Loan Program, and that it was a very helpful tool in terms of rehabilitating low-cost housing properties, and that is why I put it in my legislation. What has been the experience of the city and the county with respect to the 312? Is there some further information you can give us on that?

Ms. KAFOURY. Again, our program is much smaller than the city's would be, but the data I got is that we have made 25 loans under that in the non-Portland area, for a total of about $425,000. Health and safety items, including wiring, plumbing, furnace, weatherization, and accessibility for handicapped have been the major activities.

Chairman WYDEN. The county would like to have that program reinstituted?

Ms. KAFOURY. Absolutely, absolutely.

Chairman WYDEN. Commissioner Bogle.

Mr. BOGLE. I have no information on what the city has done with the 312 Loan Program, but there are probably others here in the room that might have something.

Chairman WYDEN. You may be armed with it.

Mr. BOGLE. Well, here is some information, this just in.

Ms. KAFOURY. Just off the wire, and that was another job you had.

Mr. BOGLE. Since 1983, we have assisted 60 families in undertaking $1,520,000 in rehabilitation. In addition, three multifamily projects have been assisted, representing 127 low- and moderate-income housing units. So, that is from the Portland Development Commission.

Chairman WYDEN. The city would like that program reinstituted?

Mr. BOGLE. It certainly would.

Chairman WYDEN. One other question, with respect to the enterprise zone idea. This is something that I think is going to be a major part of this administration's approach to economic develop-

ment, and I will be darned if I want to see a bill passed that does not give us a chance to really get into this and take advantage of it.

Commissioner Bogle, you mentioned that in your testimony; could you amplify a little bit?

Mr. BOGLE. I think an enterprise zone is a wonderful concept, and I think it has to be tied with some first source agreements in that zone to insure that the people in those neighborhoods, incorporating in the zone, are employed. Otherwise, it would seem that it would benefit only the business and not have the necessary trickle down.

Chairman WYDEN. In the legislation as it is written, it would address most of the city's concerns for eligibility, as I understand it.

Mr. BOGLE. To my understanding; yes.

Chairman WYDEN. OK. Commissioner Kafoury, anything you want to say?

Ms. KAFOURY. I did not have anything to add to that. I did have a note from my staff to be sure to mention to you that since another provision of your bill has been the sweat equity provision that we are very supportive of that. Making sure that there is adequate supervision and screening of people, and why do we not just donate these properties to families and let them fix them up themselves was part of our county discussion yesterday.

I think PDC's estimate is that right now there are about 3,000 vacant and abandoned properties. Obviously, the county only owns 42 of them, but in these neighborhoods a tremendous number of people are not taking advantage of the opportunity to buy them for next to nothing and do the sweat equity provisions. So, it is a wonderful concept, but let's make sure it works and perhaps it will take some kind of supervisory ability by community development corporations, or some other entity. But I think just saying that people can go in and fix up these places on their own without the proper skills and ability to bring buildings up to code—and many of these properties are in extremely bad disrepair—the idea of just sort of a vacant home that you could go in, and pick up the paint brush, and fix up is not true. Major structural, plumbing, and wiring, et cetera, rehabilitation that needs to be done.

Chairman WYDEN. I think that is a valid point, and what we want to do, frankly, is address that point in this bill, to try to come up with some model projects to really test out what it takes to make a sweat equity program work. The concept is one that all of us would say we agree with from the seat of our pants, but the fact of the matter is a lot of these programs have not been taken advantage of. The reason I have included it in the bill is to try and see if we could fund a small number of model projects to determine what it really takes to make a good sweat equity program work, and we try to make sure that Oregon and Portland got funded as one of the models, by looking at some of these issues, like you are talking about, the supervisory matter and making sure that people get the training and the like.

The last question I wanted to ask deals with this problem of the drug dealers in the public and assisted housing, the people who basically seem to just be ripping off these programs. Would you all

support the concept of criminal record checks of applicants for public housing to try to deal with this issue?

Mr. BOGLE. I would have a problem with that, because I see it as a civil liberties issue, in that we might be checking criminal records on persons who were street level dealers. But those kinds of dealers who are able to afford a $1,000 apartment in the West Hills would escape such checks, and that is not equity, and I do not think that is the way we want to do business.

Ms. KAFOURY. I think there are some other ways, Ron, to look at that and the model, The county is very closely involved, as you have read, with Columbia Villa. We are trying a community policing with our sheriff's department in Columbia Villa, so we are much more close with the housing authority there, and we are finding there are some other tools, like immediate eviction of people who are caught with drugs and giving our sheriff's department up there the tools, which the Portland Police could also use, to get people out in public housing. But, somehow I think to prohibit people from original entry, if they know the rules, I do not think the entry point is where you want to prohibit them. We do not want to deny housing to people, whether they have had a criminal record or not. What we want to do is make sure that while they are in this housing they are not dealing drugs and are not continuing the illegal behavior. So, I am with Dick. I am much more comfortable about the eviction, and we are trying to work with Legal Aid so they do not feel we are violating tenants rights in that instance, but work on the other end rather than the front end.

Mr. BOGLE. I think so. I would agree with that, that we need to look at the future and at the present, rather than the individual's past.

Chairman WYDEN. One other thing that I would like to do, and you cannot do it in a hearing like today where you are trying to get a lot of witnesses in, is pursue this with all of you in the future. We have been talking to the housing authority officials as well, and, as you know, everyone is concerned about the same thing, and that is it was such a crunch for housing we simply cannot let drug dealers abuse and take advantage of the limited housing that we have. The idea is to come up with the fastest and most expeditious plans to deal with it, and the eviction route may be the way to go, and there may be others. So, we will come back to you, and maybe we ought to convene a meeting quickly with some of our housing authority folks, the city, county, and our congressional delegation, and go after that. I would like to pursue that with you.

You all have been leaders in this and so many human services areas. We appreciate it, and we will be working with you often in the days ahead.

Mr. BOGLE. Thank you.

Ms. KAFOURY. Thank you.

Chairman WYDEN. Ms. Sandoval, we welcome you and appreciate your participation. We will make your prepared comments a part of the record. If you could perhaps highlight some of your principle concerns in 5 minutes or so, that would be real helpful.

TESTIMONY OF LAURIE SANDOVAL

Ms. SANDOVAL. Thank you. I am not homeless anymore. However, we were homeless for almost 6 months, and I think that entitles me to be able to speak about it.

I would like to state that I am not a drug user. I have no criminal record. I am a single mother of five children, and I think that there is way too much emphasis being put on drugs and homelessness, because there are a lot of us out there who were in abusive situations, who had to leave, and are just financially unable to rent a home.

When we moved back to Oregon in September, on $683 a month total income for my family, the only thing we could afford was a small two bedroom apartment, which we were not allowed to move into because I have five children.

We were in motels where we paid up to $164 a week. In one motel there was actually rats in bed with my daughter, and due to the high amount we were paying for the motel rent, we could not save any money for a deposit to live anywhere.

I would have been glad to clean up an abandoned house.

Chairman WYDEN. Anything else you would like to add.

Ms. SANDOVAL. No.

Chairman WYDEN. You are so brief and so eloquent.

Ms. SANDOVAL. Nervous.

Chairman WYDEN. We are not used to that in the House.

Ms. SANDOVAL. I read over the bill, and it looks real good.

Chairman WYDEN. Do you think it would address some of your principle concerns?

Ms. SANDOVAL. I am sure it would. I also have friends right now who are homeless, or about to become homeless, and one thing I think a lot of people do not realize is that there are a lot of young families who are working, who are one paycheck away from becoming homeless.

Chairman WYDEN. Tell me how serious you think this problem is with a lot of folks, a lot of low-income folks not being able to afford the security deposit for renting. I had heard at my town hall meetings and other kinds of programs over the years, that people were really concerned about that. Is that something that you think is a real serious problem?

Ms. SANDOVAL. I am in HUD housing right now, and the neighborhood I live in it costs—I did not have to pay that much—$1,200 to move into a three-bedroom home, with your deposits.

Chairman WYDEN. What was the rental, and what was the deposit? Do you remember?

Ms. SANDOVAL. The rentals average around $600 a month, and the deposits were also $600.

Chairman WYDEN. Your sense from being an advocate for low income, and homeless, and others, is that a lot of folks, even if they do muster up the assistance to pay the first months rent, the security deposit is a killer and——

Ms. SANDOVAL. Yes.

Chairman WYDEN [continuing]. Prohibitive. Any thoughts on this sweat equity matter. I think you heard me talking to the commissioners beforehand. Are there any special things that you think

Congress might be looking at to try to make this more workable? As I said, my sense is that everybody agrees with this concept. It is a concept of really self help, pulling yourself up. That is as American as any idea you can imagine, but for some reason we have not come up with any models. So, what I have been trying to do is see if we could come up with some almost text book ways that communities could do it. Any ideas you might have that someone like yourself, or your friends, would find helpful?

Ms. SANDOVAL. Possibly combined efforts of families. If there were several houses and one person could do carpentry, and another person could do something else, and another person could babysit while people worked. If people would work together, it could be done.

Chairman WYDEN. That is interesting, the idea of, in effect, teaming up larger numbers of people. Perhaps someone would have some talent or expertise at one area of home repair, and they could share that with people in a general area that we are doing. My understanding is some of the programs do that, and some of the programs do not do that. That might be a way, if nothing else, to generate a lot more enthusiasm and a lot more involvement because you would not be out on your own.

Ms. SANDOVAL. Well, for instance, myself, I would be very interested in sweat equity, but I do not know how much I would be able to do on my own.

Chairman WYDEN. Particularly at the beginning, until you got into it and someone down the street who was part of a program showed you a little bit about how to get started.

You have been very helpful, and we will be anxious to work with you in the days ahead. Thank you.

Our next panelists are Mr. Sam Galbreath of the Portland Development Commission and Mr. Jim Raisch, executive director of REACH, Inc. Do we have Mr. Galbreath here? Not yet, all right, then Mr. Raisch, we will go with you.

Mr. RAISCH. I can talk a long time. Can I be Sam too?

Chairman WYDEN. Pardon me?

Mr. RAISCH. Can I be Sam too.

Chairman WYDEN. You want Sam's time. All right. We welcome you and know that you and your organization have been very involved in the community in working on these matters for some time. We will make your prepared remarks a part of the record, and, as I said earlier, talk to us and tell us your views for 5 minutes or so, so we can hear your principle priorities.

TESTIMONY OF JIM RAISCH, EXECUTIVE DIRECTOR, REACH COMMUNITY DEVELOPMENT

Mr. RAISCH. Thank you. My name is Jim Raisch. I am the director of REACH Community Development.

What I want to talk about today is really not the problem of abandoned housing, the revitalization. That is well documented; there are a lot of people here that can testify to that.

I want to talk about the element of the capacity building to make a link between the people who are homeless and turning that

housing back in, who can do that, and how can we do that on a sustained basis.

That is what REACH's model is about. REACH is a private nonprofit community development corporation which was organized in 1982 by residents of inner Southeast Portland in response to the communities concerns about housing deterioration and neighborhood stability there.

Our goal has been to help revitalize the neighborhood by acquiring or renovating housing in accordance with broader community goals, not just for the sake of having housing.

Our service area includes six neighborhoods. The population there is about 40,000. Most of our work has been concentrated really just in the Buckman neighborhood, and that has a population of about 7,500. We are controlled by a volunteer community basis board of directors of 15 people, and we have a paid force of six.

The challenge is neighborhood revitalization as it involves renovation of vacant and abandoned housing and the creation of affordable home ownership opportunities. In addressing that, I think that community development corporations, such as REACH, are an essential tool in that work.

I believe very strongly that the Federal Government has to take the lead in this and work along with State and local governments, foundations, private businesses, to focus resources in ways that help create and support nonprofit-based and community-controlled development corporations.

If we do not do this, we are going to be ignoring the valuable lessons that have been learned over the last 20 years in this country. We are going to see our housing problems in inner cities and rural areas continue to worsen, and we are going to see our neighborhoods continue to deteriorate.

What we have heard today is a lot of programs that are really good programs are one-time programs, and when that funding goes away, that program goes away. We need to address developing sustained capacity building.

So, on that, I would like to tell you a little bit about what REACH has accomplished, and how that model is critical to revitalization, and the role that the Federal Government and private sectors can play in providing that support for CDC's.

REACH purchased and renovated its first house over an 18-month period in 1982. It was not very successful. It went way over budget and took a lot too long. We began renovation of our second house in 1984. Today, we own and manage 376 units of completely renovated housing in 33 buildings. These buildings also contain 25,000 square feet of retail and office space and are valued at more than $7 million.

Over the years, we relied on a wide variety of sources for our working capital and our financing. In 1982 and 1983, we started by supporting ourselves on donations and seed loans from the businesses, and the churches, and the residents in our neighborhood; it was really community based.

In 1983 and 1984, we organized a limited partnership of 35 local groups in which REACH served as the managing general partner. We supported ourselves on the fees from that, from a tax indica-

tion. In 1985, we received a large grant and a loan from the Fred Myer Charitable Trust and a loan from the city of Portland to use as working capital.

Today, nearly 94 percent of our operation expenses are covered by the rents from our buildings, or from project development fees. We project that in 5 years, just with our existing projects, we will be self sustaining.

The remaining 6 percent that we need to raise comes from grants and donations. Since 1983, we have raised about $300,000 in grants and donations. We have leveraged this very heavily by raising an additional $7.6 million in traditional financing and investor capital. The importance of REACH—and not what we produce with this money, not just how much we have raised, or where it came from, in that respect we are very proud of our accomplishments.

Some of those projects include the Buckman Housing Cooperative, which is a scattered, site-limited, equity-leasing cooperative, in which low- and moderate-income families manage and eventually will own their own housing. Our vacant housing project is a project to target the purchase and renovation of vacant, dangerous housing, targeting only family-sized units and allowing the tenants to contribute sweat equity in exchange for the lowered rents over a long period of time.

We have also developed the Rose Apartments, which is a 57-unit apartment building for formerly homeless women. The Rose provides permanent subsidized housing and onsite case management services for women leaving shelters or transitional housing.

We have developed the Taft Hotel, which is a 85-unit State-licensed residential care facility, which provides room, board, and personal care to frail and indigent elderly residents. We purchased and renovated the building and worked with the county and the State to develop a positive program for services designed to return the elderly to independent living or to allow them to stay in the semi-independent setting rather than moving to a nursing home.

That is just some of the projects we have done, but it gives you an idea of our variety. Our experience and success is pretty unique in Portland, but it is not unusual in other parts of the country. CDC's are a valuable tool.

A survey was completed last Spring, the first time ever surveying the accomplishments of CDC's. It is estimated that there are 1,500 to 2,000 CDC's around the country—834 responded to the survey. Here is what they found. That working in economically distressed urban and rural areas, these groups have proved to be a major force in economic and physical rejuvenation of the communities. CDC's have built nearly 125,000 units of housing, over 90 percent of them for low-income occupants. Actually, in the period of 1986 and 1987, CDC's build about 23,000 housing units, while HUD built about 19,000.

CDC's have developed over 16 million square feet of retail office and industrial space. CDC's have made loans to over 2,000 enterprises and equity investments in many others. CDC commercial, industrial, and business enterprise activities have accounted for creation and retention of close to 90,000 jobs in the last 5 years.

The reason that this works, the reason that CDC's are successful is because they are grass roots organizations. They understand

their communities, their needs, the opportunities for resources. They operate with a clear mission in a comprehensive strategic approach to community revitalization. They forge partnerships with local developers, lenders, business, foundations, religious institutions, other nonprofit organizations, the governments at all levels. They undertake the projects that are too small or too risky for the conventional developers to do alone, and that is important. I do not think we are going to find a lot of proper motivated developers in rehabing vacant housing; there is not a lot of profit in it.

They have the political and technical skills and tenacity they need to pull together a complex array of resources to get projects done.

CDC's are providing direct benefits to local people in the community in the form of housing, jobs, business opportunities, goods, and services, and they are proving that these communities can support economic activity and, in doing so, are creating a sense of momentum and hope that it is vital to the revitalization.

The Federal Government needs to recognize that it is no longer necessary to continually spend large amounts of public money to bribe profit-motivated developers to produce short-term supplies of low-income housing. That money can be better spent building the capacity of CDC's, which in turn can produce a permanent supply of affordable housing.

The Community Housing Investment Partnership Act that you have introduced is an excellent example of a comprehensive approach to targeting resources to produce housing and, at the same time, build local capacity. We cannot ignore the production, but we need to build the capacity at the same time. All new Federal housing legislation should follow this example by setting aside a percentage of appropriated funds to provide support for CDC.

The support needs to include, at a minimum: Operating support for both the merging and mature CDC's; revolving loan funds for predevelopment costs; grants and/or loans for project-based technical assistance; and grants receipt capital.

If the Federal Government makes this commitment, State and local governments and the private sector will follow; I have no doubt about that. The grants made to build capacity will become investments that will pay dividends for years to come, dividends in both brick and mortar, as well as in the quality of life for low-income communities.

Chairman WYDEN. Mr. Raisch, we thank you and we will have some questions in a moment. Mr. Neureuther, we welcome you.

TESTIMONY OF DON NEUREUTHER, EXECUTIVE DIRECTOR, NORTHEAST COMMUNITY DEVELOPMENT CORPORATION

Mr. NEUREUTHER. Thank you, and I apologize for being late. Someone got the wrong time in my calendar.

I had been asked by your office to reflect for just a few moments on the problems of vacant and abandoned housing and the condition of the housing stock in northeast Portland. I am the director of the Northeast Community Development Corporation

One of the things that we have been trying to do in conjunction with, especially, the Portland Development Commission and this

fine man on my right, is to get a handle on what the problem and condition of the housing stock is here in Northeast. We have found that in the six inner Northeast neighborhoods there is an estimate that there are probably 1,500 homes that are in need of substantial rehabilitation.

Chairman WYDEN. Your calculation of how many homes at present need major rehabilitation is 1,500?

Mr. NEUREUTHER. Right. There was an effort and a study done on behalf of the Portland Development Commission.

Some of those homes, obviously, are beyond being saved anymore. Estimates in the city range anywhere from 2,000 to 3,000 vacant and abandoned homes. When we look at what are the problems we are facing here, I think we have certainly a problem of absentee landlords, who own, I think, some of the finest housing stock in our community, many of whom invest only a minimum in the properties themselves and eventually often abandon them.

I think probably one of the most impressing cases to me, a number of weeks ago a woman who lives in one of the suburbs here in Portland called me up and asked me if they could donate a house to Northeast Community Development Corporation, if we would assume the back taxes and the liens that were on the property. When I asked her for some information on the house, how large it was, how many bedrooms, what condition it is, she told me that she and her husband had never seen the property. They had no idea if anyone was living in the house at this time or not. We were not even sure what they owed on it, but they just wanted to be rid of it. We went and looked at the house. It was a small house. It had been a track house. There was nobody living in it right now. I called them up and said you have a tremendous liability here. You ought to take a look at, at least, boarding up that property. So, I mean, that is sort of a worse-case scenario, but I am sure that is not the only one.

I think when we look at how do we address the problem, I think that we address it in two ways. I think, first of all, we address it by saying we have to begin to face the problem of vacant and abandoned housing, street by street, block by block, neighborhood by neighborhood in this community, and that in order for this to be a community where people are going to live and make an investment in the community, they have to have the assurance that if Northeast Community Development, or private developers, or some other development corporation comes in and does this home, that they are also going to do a number of other homes on that street or that block.

I think we also, and to me this is kind of the crucial element in it, we have to develop programs that are going to promote home ownership. It is not enough just to have the percentage of rental property that we have here, whether it is owned by a community development corporation or some other developer who does a good job of maintaining that property, I think we need to get more of a commitment in the community by people who own their homes and take care of those homes.

One of the things we have made an effort to do is to promote the kind of home ownership programs that will allow people who are presently living in inner North and Northeast, to purchase homes.

As you know, we are making application for a Nehemiah housing opportunities grant. In my opinion, that is the kind of program that provides an opportunity for home ownership to people who are ordinarily shut out of the market, and our estimates, once again, done with the city and with PDC, is that we would be able to sell homes under that program, a $45,000 home to families whose income is as low as $14,500, with a monthly payment of approximately $305 a month.

I think, at least personally, and as a development corporation, it is our feeling that this is the kind of program that is necessary to renew this neighborhood.

Chairman WYDEN. We thank you, and we will have some questions in a moment. Mr. Galbreath, welcome.

TESTIMONY OF SAMUEL C. GALBREATH, DIRECTOR OF HOUSING, PORTLAND DEVELOPMENT COMMISSION

Mr. GALBREATH. Thank you, Congressman. It is a pleasure to be here. I appreciate the topics that were outlined to be discussed in 5 minutes. I will do my best. It is quite a challenge.

I would just like to set the context. I am the director of housing for the Portland Development Commission and the Development Commission, of course, is the city's Urban Renewal Agency. As such, we are involved in economic development, housing and downtown development, which is responsive to city policy, and achieves significant community goals.

PDC has been involved in Northeast for over 25 years, in the revitalization of Northeast, and that includes participating with over 10,000 families in making loans to help improve properties and through our Economic Development Department making loans to over 70 businesses that have created 500 new jobs and retained an additional 800, which may not have been retained if assistance had not been available.

We have had a variety of roles to play in that program, from being kind of a lead agency back in the early days, to, I think, being a key supporting actor at this point. Roles are changing, and we think they are changing for good reason, and we look forward to new definition of roles.

You asked for us to discuss the status of affordable housing and neighborhood quality, the role of the Development Commission in the city's neighborhood revitalization effort, how the private sector and Federal Government can be more effective partners, and comments on the CHIP Program. So here goes.

The status of affordable housing. Just a thumbnail sketch: 1,200 to 2,400 homeless individuals and families; over 2,000 vacant houses citywide; over 3,600 privately owned, federally assisted housing units with expiring Federal rent assistance contracts, which means that up to 3,600 people who now are making 50 percent of median income or below and have the Government helping participate in keeping their rents affordable at 30 percent of their income will not have that form of assistance, if those contracts expire without further attention.

Just here in the Northeast, I think as Don has alluded to, we have 1,600 vacant or substandard housing units in just the six

Northeast neighborhoods that are most severely impacted by vacant property.

The city's goals to address this need over the next 5 years is principally through the vehicle of the Neighborhood Revitalization Program, and one of the key elements of that revitalization program, is the housing element, which is one of eight key elements, and one of the key watch words in the development of that housing, is that the housing must be developed to be affordable by the persons currently living in the area or expected to be drawn to the area through business growth and development. That tends to be, in this area, a fairly modest family income, $15,000 to $20,000.

Even when we talk about business growth and expansion, the principle area of expansion is seen in the area of service jobs whose current wage ranges from $5.50 to $7.50 an hour. That is commensurate with the current median income in the area now. So, if housing is going to be developed, it is going to have to be developed with those families in mind.

When we looked at the 1,600 vacant and substandard housing in just six Northeast neighborhoods, we tried to examine what it would take to bring them into standard condition at a cost which would be affordable by this target population, and we looked at three things.

We looked at what it would cost to reclaim vacant housing and provide new construction on vacant lot. We looked at what it would cost to have people of the same income buy houses that are naturally on the market, but are in need of restoration, and, in addition to financing that acquisition also rehabilitation which would be affordable. Then we looked at the remainder of the houses where there are currently folks living, either renters or owners and said what would it take to improve that housing to at least a city standard level and still maintain affordability by these same people.

The estimate of cost for that is $45 million, of which our estimate is $30 million could be financed through some form of serviced debt, possibly tax exempt, somewhat below market rates, but another $15 million has to be met through some form of gap financing, such as Nehemiah or some of the programs that you talk about, the 312 in your CHIP Program would provide.

So, our goal is to address that level of need, and the need to meet that goal financial is in the range of what I just stated.

In terms of PDC's role in the city's neighborhood revitalization effort, I think we see ourselves, one of our key roles, is increasing employment opportunities. After all, if everybody has a living wage job, many of the issues of subsidy, and writedown, and costs savings cease to be so critical. We have projects such as our convention center and Columbia South Shore projects aimed to attract new businesses to the community. The business retention effort hopes to keep those that we have, and job net is a new public private initiative which seeks to source people in the community to new jobs as they occur.

We hope to continue to be an actor in improving and increasing low- and moderate-income housing, continuing as a lender, a community development bank, hopefully, with a broadened funding base through more involvement by private nonprofit foundations, people who are interested in socially responsible investing and

fuller participation by local lenders, and as a developer, through a continuation of our homestead programs, and our downtown preservation program, and as a helper through offering the technical experience that we have gained over the last 25 years to folks.

Private sector is a key in these programs. Everyone of our programs in the past, and more so in the future, requires private participation. Part of what we see happening in terms of role definition within the community, is a better identification and formalization of relationships.

There are a number of activities underway, including looking at the development of a Portland housing partnership. The recent evolution and recognition of the Northeast Economic Development Task Force as an agent for planning and participation and marrying the public and private interest in Northeast.

There is also a look, city and countywide, at housing management plan. All of these efforts would aim at identifying the balance between public and private roles and identifying specific responsibilities for each, which would facilitate mutual participation in solving problems related to neighborhood revitalization and housing.

Specifically, your CHIP's proposal, I would like to comment very quickly on a couple of items in particular. Your proposal on the 312 Program is right on the mark. That is an excellent program. You have the history of its benefit, especially in northeast Portland. It is self financing, if it is left alone by Congress and administered properly by HUD, and we believe your effort to get that refunded at the $200 million level is right on the mark.

Enterprise zone designation—your staff has worked closely with ours, and our staff, in turn, has been in contact with other national groups interested in enterprise zones in making those regulations workable for western cities, and particularly northwestern cities. We think the language contained thereon is right on.

Your language on the Nehemiah grant, although we received some relief in the writing of the regulation, clearly the language that you have in there is more specific and removes any cloud of doubt in terms of the Secretary's discretion, as provided in the current regulations, from qualifying a city like Portland for Nehemiah eligibility.

So, with that, I will conclude my remarks.

[Mr. Galbreath's statement may be found in the appendix.]

Chairman WYDEN. Thank all of you. I think all of your presentations have been excellent. Let me start by telling you that it has been my sense, and what is really the central focus of the CHIP bill, is that the pieces of enhancing neighborhood life are linked together. We have to look at home ownership and expanding home ownership, and that the bill tries to do with the Nehemiah Program and the 312 Program, but we also have to give home ownership an opportunity to be funded. You do that through things like enterprise zone programs so that businesses can prosper. You pump dollars into the community and people have funds for which they can purchase homes.

Do you all see that as essential to our strategy, to link things as economic development and home ownership together as the CHIP bill does, because to me, unless you put the pieces together, you are

not going to be able to come up with an overall neighborhood revitalization strategy. Don.

Mr. NEUREUTHER. I would say without a doubt. I think that has been the focus, too, of both the city's and the community's approach to neighborhood revitalization. Unless we link all of these things together, no revitalization will take place, and we will not have created the kind of community that we want to see here in Northeast.

Chairman WYDEN. Jim, do you want to add anything?

Mr. RAISCH. I would agree, too, that is essential and that needs to be done. That framework needs to be created on the broad level, and then we need to create the capacity at the neighborhood level. Because, I think, what we are hearing today is that the problems in the city really vary by neighborhood. We have intense problems in northeast Portland. We have a different set of problems in different housing, and market, and population in inner Southeast and a whole different set in outer Southeast in the San Mission expiring use restrictions. We have that downtown problem cropping up. So, one program will not solve all of those, but the framework of integration does, and then building the capacity that can respond locally is real important.

Chairman WYDEN. That is the philosophy behind the bill. Let me ask you about some of the specifics now. In terms of home ownership, which clearly has to be the community's anchor, when you get more people owning their own homes lots of benefits ripple forth. Tell me what kind of people we ought to really be zeroing in on? What are their income levels? What do they do for housing now? If you could define the population that you would think would be most important for the Congress to address, I think that would be very helpful. Sam, why do we not start with you.

Mr. GALBREATH. Well, first of all, I am not sure that we want those kinds of things defined at the congressional level.

Chairman WYDEN. No; we are not talking about in a law; I just want to know who those people are.

Mr. GALBREATH. I think the answer to that kind of question has to be deferred to the community. What I have noticed is that there is actually disagreement in the community as to the answer to that question. What we have heard most about is the need to target the folks who are here now, who would, if they could, be home owners and cannot be, because of economic reasons, and that it would be the top priority, and again, the Nehemiah Program and the programs that we would hope to participate in, would make that a top priority.

There are others who would say as the city continues to develop out to its maximum potential, that is, filled into the allowed zoning so that the city maintains a proportionate share of the population growth in the region, that within every neighborhood there should be an opportunity for higher income people to come in, not in a way which would displace the lower income people that might be there, but to economically integrate the area and to maybe populate new development, which would be strategically located around employment centers and commercial centers.

Chairman WYDEN. Jim.

Mr. RAISCH. I think we need to target people who have a track record of at least being stable renters, because the community home ownership takes a lot of work. In that respect, I think the sweat equity concept needs to be expanded a little bit. Traditionally, it is as though physical labor and REACH has done that on a couple of different times with the co-op and with the vacant housing program. We have found it to be physically and psychological grueling for the families. It is very frustrating to start this work, if you are trying to hold a job, if you are a single mother with three, four, or five kids. We have had mothers sitting out there with their baby sitting on the steps while they are scrapping paint off, and they do this for 3 months at night. It is pretty hard on them, and anybody who has done remodeling knows that there is a period of depression. First a lot happens, then nothing happens, and then you get a little discouraged about it.

REACH has been thinking of sweat equity as community service also, so that a family moves into the house and has an option to purchase, then they do their sweat equity, essentially by being active in a community organization for a period of 1, 2, or 3 years for the lease, and if they successfully complete that community service that becomes their sweat equity, and they can exercise their option. So, it is not psychologically grueling, and it gets them involved in the community, and it contributes to community revitalization that way. It is a permanent skill that they have that they can use and everybody will benefit from.

Chairman WYDEN. I think it is a very attractive way to go about expanding the definition of how you become eligible for sweat equity, and it would seem to me that for a lot of low-income people, working people, that would be absolutely essential, because they are going to be working hard and long throughout the day at a job, and it is going to require some flexibility in terms of how they make their contribution. What you are saying is community service ought to be included and could be done at nights and week-ends and essentially expand the definition of sweat equity, and you have a chance to get more people involved.

A question for you, Don. You each support the part of the CHIP bill to expand the definition of the Nehemiah Program, so that we do not have to go through this, in effect, suspense of trying to conform administratively, and it is the Secretary's discretion, and you believe that would really help Portland and other Oregon cities in the future.

Mr. NEUREUTHER. Yes; very much so. As you know, the problem of vacant and abandoned substandard housing in Portland is not concentrated on 250 contiguous lots. What we have is, I think, an excellent housing stock in need of rehabilitation that is somewhat scattered, and I would strongly support that.

Chairman WYDEN. What about the notion of trying to provide technical assistance to community development corporations. Is that something that you think would be cost effective?

Mr. NEUREUTHER. Yes; once again, I certainly think it would be. I think community development corporations are like many smali businesses. The staff is asked to perform a number of tasks, some of which they are qualified for, some of which they are not qualified for. I think it is much more efficient to have someone come in

and provide them specific technical assistance than to try to develop an individual staff person for a specific task, so I think that is very necessary.

Chairman WYDEN. You have the Northeast Community Development Corporation, and there are others in Portland?

Mr. NEUREUTHER. There are. Obviously, REACH Community Development and Central City Concern is, in some ways, a community development corporation. There are some community development corporations that are in the development stages.

Chairman WYDEN. It is almost a question of what you title them. There are a variety in the community and some may not be called a formal community development corporation such as yours. In terms of the 312 Program, I appreciated Sam's comments on that. Don, is it your view that would be helpful as well, to institute the 312 Program to make those loans available?

Mr. NEUREUTHER. Yes; I do, because I think when we look at the community here, and this would also respond to your previous question about who do we target home ownership to, we need to provide a variety of different programs that will meet different sectors of the population here. As Sam said, there is a sincere concern that we do not gentrify the neighborhood, and I think by having a number of different programs it will certainly help us do that.

Chairman WYDEN. Mr. Galbreath, you made one point that I thought was very good. I was asking, generally about trying to define the population that we ought to look at who could most benefit from these kinds of programs and mention was made by Mr. Raisch of stable renters and others. You made the thoughtful point that different communities see this differently and that is absolutely right.

How is the process of getting that community input done? Are there neighborhood meetings that go into those kinds of considerations? I would be interested, and I think it would be good to have for the record, how you go about doing that, and maybe we should spend some more time on trying to get a model for getting that kind of input in place.

Mr. GALBREATH. I will speak to the circumstance right now in Portland. In Portland we have a stratified planning going on to address that question. But at the heart of Northeast, the question is being addressed through the Northeast Economic Development Task Force and through the housing subcommittee, which has come up with a series of recommendations as to what should comprise the public private housing agenda to solve the problems in Northeast. At this point, those are fairly broad statements of objective, which I think everybody recognizes needs to become more definitive. I would view that the definition will be through the process of meetings between the subcommittee on housing, the technical advisory committee which are kind of the public actors in the realm of housing and with the oversight provided by the task force itself in terms of finally setting the community's policies and objectives for who needs to be served within the Northeast area.

Chairman WYDEN. They would have town meetings. That is what I have when I come home, but they would have something equivalent to that schedule, an open meeting kind of situation, people

come in and offer their views on it, and then it goes up to the housing subcommittee and through the process?

Mr. GALBREATH. That is certainly the way it has been so far. I cannot imagine that changing.

Chairman WYDEN. That is very good. Is there anything that you would like to add? We have very much appreciated all of your help in working on the CHIP bill. I said, before you three came, that we think there is a very good chance there will be a housing bill in this Congress, and with this ammunition, we have got a chance to mold some of that legislation in a fashion that would really help Oregon's neighborhoods. That is why we wanted to get this on the record. We thank you for your help, and we will be working with you in the days ahead.

Mr. GALBREATH. Thank you and your staff.

Chairman WYDEN. Our next witnesses will be Mr. Richard Brinck, U.S. Department of Housing and Urban Development, and Carol Jelineck, representing the housing authority of Portland, and Mr. Lynn Schoessler from the State of Oregon.

We are going to have to proceed. I am going to have one of the staff try to address your concern. We are going to have to proceed with our witnesses here.

Our next panel represents a number of important Government agencies. Let us begin with you, Mr. Brinck, and we appreciate HUD's involvement and assistance with the legislation. We will make your prepared remarks a part of the record in their entirety, and if you could summarize your principle views, that would be helpful.

TESTIMONY OF RICHARD BRINCK, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BRINCK. Thank you, Chairman Wyden. The Department of Housing and Urban Development appreciates your invitation to discuss the challenges of neighborhood revitalization and the need to create additional housing home ownership for low-income families.

We believe that it is important that the hearings on the subject of housing opportunities and economic development be held in communities throughout the Nation, because we believe that the development of strategies to meet the goals of neighborhood improvement and revitalization cannot be driven by Washington policy.

The Department of Housing and Urban Development recognizes that Washington has a critical role to pay in this process, but success ultimately depends on the ability of all levels of government, nonprofit groups, individuals, and private sector to work in partnership. That would be true whether or not we face significant budgetary constraints at the Federal level.

HUD, under the leadership of Secretary Kemp, looks forward to working with you to resolve our Nation's housing and community development challenges. The Secretary, and the Secretary in support of President Bush has laid out a number of priorities for HUD. A number of these are addressed specifically in your proposed legislation.

To meet these goals, we require to develop a common consensus and energize all the available resources, public and private, profit and nonprofit, at our command and available to achieve the common purpose. A number of these objections, and one in particular, have a direct bearing on the subject of today's hearing.

First, making housing more affordable and increasing opportunities for home ownership. HUD is committed to finding ways to improve FHA to better serve first-time home buyers. But, beyond the traditional market of home buyers, there are lower income families pursuing the dream of home ownership. In that connection, the Administration has proposed a special $44 million fund in community development block grant programs to support innovative approaches to home ownership for low-income families.

We have pledged to increase the number of families that we assist. In addition to that, we also deal with situations affected by prepayments, the situation that Sam was referring to, property sales, that is, our PD inventory, and other activities which may contribute to displacement. This is an issue of major concern to HUD, and we will not permit any currently low-income families to become homeless because of our activities.

It is critical that HUD and Congress work together to address this problem, but it is equally important for us to seek the advice of residents who will be affected by prepayments and cancellations of section VIII contracts. We have to look at individual projects to know whether opportunities exist for resident management, or home ownership, or simply to know whether and where vouchers may be the best situation.

Let me add one further issue to this discussion of home ownership opportunity, the Nehemiah Housing Opportunity Grant Program. The 1987 Housing and Community Development Act established the Nehemiah Program to encourage neighborhood revitalization by providing grant to local nonprofit groups for the purpose of making loans to families purchasing housing in distressed communities. Secretary Kemp considers the Nehemiah Program to be a promising opportunity for private and public partnership. He has prevailed upon the Bush administration to withdraw its proposed rescission of the 1989 funds for the program.

Mr. Chairman, you have raised the concern that the statute is inflexible, in that it limits eligibility to contiguous lots. HUD has responded to this concern in its final regulations published May 22 of this year. These regulations allow the word contiguous to in some instances mean closely located. This would permit the eligibility of Nehemiah Program in neighborhoods where there are still a number of existing viable dwellings which do not require rehabilitation.

The second objective of HUD is to empower the poor to take control of their communities and to begin building for the future, for themselves and their children, through homesteading and residential management. In a number of communities around the Nation, experience has shown that resident management and ownership can redirect the entire community's future. Every resident of public housing has the same hopes and dreams for their future, their children's future, that you and I have. Congress and local

communities can work together in partnership to facilitate resident management and home ownership throughout the Nation.

I want to touch briefly on a third priority and that is making our housing drug free. At this point, nothing rates higher on Hud's agenda, and there are few issues on which partnership is more critical. No one entity can solve this problem by itself. President Bush has said there are few clear areas in which we as a society must rise up and express our intolerance, and he has called for us to let this be recorded as the time when Americans rose up and said no to drugs.

HUD has begun to take a series of actions to get drugs out of public housing, as well as assisted housing, and we are actively encouraging the work of organizations that share our conviction that the most durable solutions grow upward from the community, rather than being imposed down from the top. We certainly believe that no discussion of neighborhood revitalization would be complete without a discussion of the tragic drug problem.

A fourth priority, and, Mr. Chairman, one which is certainly pertinent to your examination of neighborhood revitalization, is job creation and economic development. Enterprise zones, the cornerstone of our economic development strategy, removes barriers to investment and entrepreneurship in our distressed inner cities and unleashes the power for the free enterprise.

Enterprize Zones are a full scale assault on poverty and the despair in our cities and rural communities. By providing meaningful tax incentives to entrepreneurs and individuals who invest in their ideas, enterprise zones will turn redlined inner cities and rural areas into income-producing and revenue-producing greenlined areas.

Since 1982, 39 cities, including Oregon, have enacted enterprise zone legislation. These State zones are demonstrating substantial success, despite the fact that they cannot offer the same incentives that the Federal Government could. Surveys show that the State zones have created over 184,000 new jobs and retained nearly 169,000, and promoted more than $18 billion worth of investment.

The State of Oregon has generally good experience with the State enterprise zones. Thirty zones have been designated and the State has reported to HUD that over 1,200 jobs have been created in the zones and over $113 million of private investment has occurred. Here in Portland, the mayor has a neighborhood revitalization panel, which is exploring the potential of the enterprise zones.

Several Oregon communities, including Portland, have applied for Federal enterprise zone designation. Secretary Kemp has put all pending applications on hold while we work toward achieving Federal legislation with meaningful Federal tax incentives. Once enacted, Federal incentives, added to State and local incentives, will provide powerful assistance for the revitalization of our communities.

The Administration and Congress are considering a number of tax incentives and regulatory relief effort, which will remove existing barriers to small business and job creation. One change sought by Secretary Kemp is the elimination of the capital gains tax on investments in enterprise zones. By allowing entrepreneurs to receive 100 percent of their investment from the sale of their compa-

ny, the capital gains tax cut will encourage small business entrepreneurs to take risks, start companies, and expand.

Legislation introduced in the House of Representatives, H.R. 6, contains many of the incentives supported by Secretary Kemp, including an upfront tax deduction for the first $100,000 equity investment in enterprise zone businesses, employment based tax incentives to help draw welfare recipients off the welfare rolls and into productive workforce.

Secretary Kemp has also expressed his support for providing a preference in enterprise zone designation processed to States and localities that offer relief for land use regulations, zoning laws, and building code and rent control.

Mr. Chairman, I am aware that you have introduced legislation concerning eligible criteria for Federal designation. The Secretary has stated his strong desire to ensure a competitive process for enterprise zone selection. In this process, States and localities which offer the strongest package of incentives would receive preferential treatment for zone eligibility.

With the proper set of economic incentives, enterprise zones can help percolate a whole new generation of small business entrepreneurs and community leaders, set in motion a process of self improvement and job generation, but most of all, restore hope for progress in America's future.

The flip side to providing a social safety net under which no one will fall is to provide an opportunity ladder upon which all may climb to jobs, upward mobility, and good education. That is the reason why Secretary Kemp places such strong emphasis on the enactment of the Enterprise Zone bill, which serves both to build both current success in State and to serve as a catalyst for other State, local, and private sector efforts.

Mr. Chairman, thank you for the opportunity to participate in this worthwhile hearing. Secretary Kemp has said that just as America has been blessed, it has an obligation to be a blessing to those less fortunate. HUD is ready to work with you and to those in our local communities, to bring this long-term challenge of housing and economic development.

[Mr. Brinck's statement may be found in the appendix.]

Chairman WYDEN. Mr. Brinck, thank you, and we will have some questions in just a minute. Mr. Schoessler.

TESTIMONY OF LYNN SCHOESSLER, HOUSING RESOURCE SPECIALIST, OREGON HOUSING AGENCY

Mr. SCHOESSLER. Congressman Wyden, thank you for inviting me here today. Let me first explain to you that the Oregon Housing Agency is a State Housing Finance Agency. Essentially our chief emphasis and purpose is to provide, through the issuance of tax exempt bonds and possibly taxable bonds, mortgage financing for single family ownership, multifamily rental housing, and congregate and group care homes for elderly and disabled persons.

Let me also explain that the agency is self supporting. It receives no State general funds, therefore, our ability to intervene in the State's housing problems is somewhat limited by that bond revenue, and, especially since the 1986 tax laws, our income is very re-

stricted under the arbitrage constraints imposed by the Federal Government.

I would encourage you to take a look at that and possibly liberalize the arbitrage or State Housing Finance Agency, so that they, indeed, could do more with those earnings from those bonds.

Chairman WYDEN. How would you do that?

Mr. SCHOESSLER. Right now the arbitrage earnings are limited, the yields are restricted, and anything in excess of the yield restriction has to be rebated to the Federal Government. Therefore, if we had those earnings at our disposal, we could provide additional technical assistance, write down mortgages, and generally support our programs to an additional degree for greater benefit.

In Portland, our programs have been utilized to provide single family home ownership financing, most recently at 8.33 percent interest rate. Recently, the agency and its policy board, the State Housing Council, agreed to reserve $8 million of financing for northeast Portland's home ownership opportunities if their Nehemiah application is successful. We can anticipate that prospective home owners would save $45 a month on the principal and interest payment over conventional financing with our financing, with a 30-year, $30,000 mortgage. That may not sound like much, but it does amount to a 15-percent reduction in their mortgage payment. I would certainly be appreciative if somebody reduced my mortgage payment by 15 percent.

Another consideration I want to emphasize for you is that tax-exempt bond financing, by itself, only provides rents or home ownership abilities that are affordable to families with incomes between 65 and 80 percent of the median income range. The agency is concerned that the very limited resources available to address providing units with affordable rents to families with incomes from 50 to 80 percent and less, is almost nonexistent.

This is the area where the Federal Government has been historically a key provider to assistance, and we look forward to restored levels of funding to support these families that are in desperate need.

Toward achieving some additional Federal support, I would encourage you to support passage of extending authorization for the mortgage revenue bonds and also the low-income housing tax credits. As you well know, those programs are scheduled to sunset the end of 1989.

Another thing I would like you to consider is the use of section VIII certificates and vouchers for more liberal application. I think you have heard today that the benefits that nonprofit community development corporations have in establishing minimal rents for their housing projects. If we could take the amount of money that is available for certificates and vouchers and in some ways not tie it to the designation, that is, for a family, but look at the dollars that are attached to that, if we applied those dollars to nonprofit housing developments, you would find that we would be able to probably assist twice as many units with the Federal dollar than currently is available.

You have mentioned your sweat equity program. I will note to you that somewhat parallels the Federal self-help program that Farmers Home Administration uses, that has been a very success-

ful program, and they recognize, as has been indicated here today, that management of the units and coordination of the participants is a very critical part of that program.

I will also note to you that the interim financing for those programs is also key. I have had discussions with some self help groups that note that if the interim financing was at a nominal interest rate you could save up to $3,000 on the cost of developing that house, and $3,000 on a self-help program of a $60,000 home is significant and would save an additional $30 a month for those families on their mortgage payment.

That concludes my comments.

[Mr. Schoessler's statement may be found in the appendix.]

Chairman WYDEN. OK, I will have some questions in a moment. Ms. Jelinek.

TESTIMONY OF CAROL JELINEK, REPRESENTING DONALD CLARK, EXECUTIVE DIRECTOR, HOUSING AUTHORITY OF PORTLAND

Ms. JELINEK. Good morning, I am Don Clark this morning. At the last minute he was called away, making it impossible for him to be here, and he regrets that. I do have a statement, and I would be happy to present that.

Mr. Chairman, the Housing Authority of Portland appreciates this opportunity to comment on the proposed housing programs that we believe could serve low-income people throughout the Nation. Although the programs vary significantly in size and scope, each has its genesis in a public/private relationship.

The housing authority's current efforts will be enhanced and complemented by the proposals in the Community Housing Investment Partnership Act. As our long waiting lists indicate, there is a great demand for affordable housing in Portland. This is especially true for low-income individuals who do not fit the family criteria for subsidy programs. Our research indicates that approximately 8,900 single persons in Multnomah County, primarily in downtown Portland, were homeless in 1988–89.

HAP recently helped create a new public/private partnership to meet the needs of this population. It is known as the Downtown Housing Preservation Partnership and combines the expertise and resources of the Portland Development Commission, the Central City Concern, the Portland Chamber of Commerce, and the housing authority. The partnership goal is to eliminate mass shelters and develop 500 more units of low-income housing in the downtown area within the next 2 years. This represents a significant step toward HAP's goal of housing Portland's homeless by 1991. In order to accomplish this ambitious goal, we must create a continuum of housing that includes emergency housing, transitional housing, and permanent housing.

As a part of that continuum, HAP is also kicking off its Home Ownership Opportunities Program called HOPE. The housing authority has many residents who are renters on paper, but homeowners at heart. They show pride in their public housing units and earn enough to support a housing payment, but the stumbling block to home ownership is the down payment for a property. Mr.

Chairman, the Housing Authority of Portland is committed to helping families overcome these stumbling blocks.

At HAP's Beech Street development, right in this area as a matter of fact, and through a new partnership with the Northeast Community Development Corporation, would-be homeowners enter into a rental arrangement that builds a down payment fund, while the renter is receiving training on financial planning and home maintenance. Vacant and for sale houses owned by the Department of Housing and Urban Development may also be used in this effort. The bottom line of these projects is to turn low-income renters into homeowners.

A sweat equity program, as proposed in the CHIP Bill, would provide additional opportunities for home ownership for low-income families. In this case, the down payment would be made by their own labor, rather than with cash. They would be relying on their own effort and skills to attain what had once been an impossible goal.

HAP also supports the concept of a local community development corporation sponsoring the family's purchase and channeling the sweat equity program back into the community. By exchanging a down payment for sweat equity, such community service could be in the form of the family working on community weatherization projects, community work clean ups, day care, or similar community activities. This type of an effort would give the sponsored family an investment, not only in the newly purchased home, but in their neighborhood and its future.

Another catalyst for increasing economic development and housing opportunities is Portland's neighborhood revitalization effort. In pursuit of the neighborhood revitalization agenda, the housing authority, and our partners at HUD, are currently seeking to buy 60 vacant or abandoned houses and rehabilitate them for low-income families.

Public and private partners in Portland are also pursuing other HUD funds through the Nehemiah Housing Opportunities Program. If we are successful in this effort, much of our neighborhood revitalization agenda for contiguous areas in northeast Portland can be achieved. This project would have a highly visible impact on those troubled neighborhoods. It is our understanding that the Northeast Community Development Corporation plans to include a sweat equity option in its Nehemiah application.

Mr. Chairman, the Housing Authority of Portland fully supports the CHIP's efforts to increase the opportunities for low-income families. Programs such as these are symbols of change, and change is greatly needed if we are to address the problems of homelessness and inner city decay in America's urban centers.

Thank you.

[Mr. Clark's statement may be found in the appendix.]

Chairman WYDEN. Thank you. All of you have been very helpful. Let me see if I can ask a few questions of each of you. Mr. Brinck, could you tell me how many FHA and VA financed houses have been repossessed by HUD over the last 5 years?

Mr. BRINCK. In our jurisdiction, which is the State of Oregon and Vancouver, over the last 5 years would be about 3,200, 3,300 houses.

Chairman WYDEN. OK.

Mr. BRINCK. Not VA, just FHA, HUD-VA, FHA.

Chairman WYDEN. Of those, how many are now vacant?

Mr. BRINCK. We currently have about 220 houses in our inventory.

Chairman WYDEN. That are vacant?

Mr. BRINCK. That would be vacant.

Chairman WYDEN. What does HUD do with the vacant houses?

Mr. BRINCK. We sell them to individuals who want them for their own occupancy, and preference second to those people who want them for investment.

Chairman WYDEN. About how long does it take, on the average, to sell an abandoned house in Northeast?

Mr. BRINCK. Our average in total, is about 60 days. From the time that we take ownership of it to the time that it is transferred to an individual is 60 days. In the Northeast, that is probably longer. We have made a commitment, earlier this year, end of last year, to recognizing that a large proportion of our houses that we had in the Northeast were being purchased by investors and then perhaps not being brought up to an acceptable standard. We have committed in general areas of what we call investor impaction to bring houses up to a given standard, so we are doing the repair work and bringing them up to FHA codes, meeting city codes, and whatever investment is required, and then making them available to owner occupants, with desirable financing terms. That takes longer. The repair work itself takes about 45 days. It is taking about 30 days to get the design work done by the architect, and the contracting, and then about 60 days to make the sale and closing. So, that does add to the time, but we think that it is beneficial to the community at large.

Chairman WYDEN. Of these 2,200, or 2,300 houses that were repossessed over the last 5 years, how many have been sold to investors?

Mr. BRINCK. It would depend upon the area. The example that I gave this morning, before we reorientated our program in the North, Northeast, I would say that 85 percent of the houses that we have there would have been purchased by investors and 15 percent by occupants, and the reason was the condition of the housing that we get back and in the housing that we sell. In other areas, the occupancy would probably be about 85 owner/occupants and 15 percent investors.

Chairman WYDEN. OK. That will be what you anticipate under the new approach?

Mr. BRINCK. Under the new approach, we would certainly expect 85 percent owner/occupant, or more.

Chairman WYDEN. This new program, working with the investors and tying it to home ownership, is a program that has begun over what period of time at HUD?

Mr. BRINCK. We made our changes toward the end of last fiscal year. We went through about a 3-month process of selecting an architect who would do our design work for us, and it is now underway, so it is a relatively new program.

Chairman WYDEN. If you wanted to buy a home, one of the people that we are trying to clearly reach in the CHIP Bill, how would you take advantage of this program?

Mr. BRINCK. Well, first of all, we think that the sales price of these houses when completed will be somewhere between $37,000 and $55,000. We will have 3 percent down, which we can tamper with if this does not work to meet our target population, and the other part is that we have sufficient flexibility in the sale of our houses to buy down interest rates a tad, so that we believe that our houses will be very competitive, both in utility and in financing. We believe that the people who buy these homes will be families, they will be employed families, and they will strengthen the neighborhood where we are taking this action.

Chairman WYDEN. So, if you are someone that we are trying to reach in the CHIP Bill, as we have been talking about today, who is interested in this, they would call HUD, and they would ask for information about the investor?

Mr. BRINCK. No; not investor.

Chairman WYDEN. Well, what is the program called?

Mr. BRINCK. I do not know that it has a acronym or a name. What we are focusing on is the rehabilitation of our houses to get them into the hands of owner/occupants, not investors.

Chairman WYDEN. No; I just want to know how.

Mr. BRINCK. How would they do it?

Chairman WYDEN. Yes.

Mr. BRINCK. We advertise our properties in the paper, and we sell through licensed real estate brokers. We are going to pay the commission. This will be similar to any transaction that a person would have on the open market. But we are going to have a very competitive property. We believe it will also serve to support the values of the other homes that are owned in the neighborhood.

Chairman WYDEN. So, this is a HUD program that is advertised just like the other HUD program.

Mr. BRINCK. Absolutely, it is not unique.

Chairman WYDEN. OK.

Mr. BRINCK. We are not identifying these properties as special, other than the restriction for owner/occupancy, and other than the fact that we are going to make some financial incentives.

Chairman WYDEN. How many houses are vacant for a long period of time? You said most of them, I gather, are dealt with in under 60 days. How many are vacant for a long period of time?

Mr. BRINCK. I would say that at any time out of our 200 houses, we might have one that is between 11 months and a year.

Chairman WYDEN. That is all?

Mr. BRINCK. That is all. We do not hold houses. Our purpose is to get them back into the hands of the public.

Chairman WYDEN. How would HUD work with people, some of whom we have talked about today, in sweat equity programs here locally?

Mr. BRINCK. We have been very supportive, and we work with groups such as REACH and such as Northeast Economic Development Corporation, using public vehicles, working with public organizations, as HAP, to use, to give priority to any inventory that we have, to support any type of sweat equity. We do not see ourselves

as being a direct vehicle for a sweat equity program, but we believe that we have resources both in the area of housing stock and financing that would allow a sweat equity program to work.

Chairman WYDEN. One last question on this matter of the investors. Now you have said only one house stays vacant for a long period of time in terms of your overall repossessions, and that is because the bulk of them are sold to investors who then rehabilitate them and make them part of the HUD program. Is that essentially the way it works? I just know when I drive from my town hall meetings I see a lot of houses that have been vacant and dilapidated for long periods of time.

Mr. BRINCK. Well, relatively few of those are going to be ones that are held by HUD. I would tell you that in the inner city, and that is Northeast, that is Southeast, that is some parts of Northwest, North, that an unacceptable portion of our houses have been sold to investors. That is why we changed our direction, focused our programs a little bit differently, and why we have agreed to give priority and make discounts in the sale of our houses to nonprofit groups like Northeast Economic Development and REACH. But the fact is that houses that are purchased from us are not necessarily rehabilitated. Some investors buy them, and they rehabilitate them and put them on the market as rentals. Others buy them, and hold them, and they detract from that neighborhood. We do not support that, but once it is in their hands, and they own it, not much we do about it at that point. That is why we have changed.

Chairman WYDEN. Is there anything Congress could be doing to make sure that more of these houses ended up in the hands of owners, rather than investors at this point?

Mr. BRINCK. Well, I do not know to what degree some of the new proposals that you have would aid nonprofits in dealing with such groups as potential home buyers with sweat equity and aid them in using our housing stock as a resource. The other vehicle that HUD has periodically used that has been a very worthwhile tool in assuring home ownership opportunities is the purchase money mortgage, where the actual financing is held or made by the Federal Government for assisting us in selling our houses. That often has the benefit of allowing flexible terms, and, by being competitive, the competitive interest rate, it maintains the prices and also tends to maintain the net worth of the insurance fund.

Chairman WYDEN. In terms of discounting mortgages, I understand that HUD has the authority to do that, but the Office of Management and Budget has stepped in and said that authority cannot be used?

Mr. BRINCK. HUD clearly has the ability to sell its houses on purchase money mortgages, and I think that is where you are going, rather than discounting mortgages. We can buy down mortgages, and that is what we are doing on this program that I just mentioned. We are increasing the amount of discount that we pay to decrease the interest rate. A purchase money mortgage allows HUD to sell the houses with financing at whatever interest rate they might desire, and it is a question of cash-flow and whether we are talking about potential income, coming in over an extended period of time, or cash-flow, and the Office of Management and

Budget has made the determination since approximately 1984, to restrict our ability in using purchase money mortgages due to cash-flow.

Chairman WYDEN. Would it help Oregon? Let me talk about the concept, if we took that restriction off?

Mr. BRINCK. The Portland office and the real estate community here in Oregon made very extensive use of the program when it was available, probably more so than many other parts of the country. The people who were able to take advantage of it, clearly benefited from its availability.

Chairman WYDEN. Let me move on with a question for you, Ms. Jelinek. The matter of the security deposits for low-income renters. Is it your view that a lot of households could profit by having this kind of assistance, a lot of low-income renters getting help with security deposits?

Ms. JELINEK. In general or in public housing?

Chairman WYDEN. In Oregon, in our area.

Ms. JELINEK. Well, certainly, because I know that people who have come into the housing authority said that one of the problems is that many landlords do demand a security deposit and first and last months rent, and it is too much for a low-income person to be able to have in a stash somewhere. So, I think that would probably be very beneficial.

Chairman WYDEN. You would find then, a lot of people on your waiting list who might——

Ms. JELINEK. That might be able to help them; yes.

Chairman WYDEN. What kind of agency could run this kind of program and particularly focus on keeping the costs of such a thing down?

Ms. JELINEK. Oh, that is a tough question.

Chairman WYDEN. In our area?

Ms. JELINEK. I am not really sure. Perhaps Mr. Brinck.

Mr. BRINCK. I have been looking at it, and this is an area out of my expertise. I assumed that it would be handled somewhere through HHS type of agency like welfare or some direct hands-on service group. But I do not know.

Mr. SCHOESSLER. Congressman, Adult and Family Services has a limited program that somewhat parallels that at present. They pay deposits and first months rent, if that is necessary, to get a family into a house. I have had experience with that when I was at a local housing authority. It seems to me that is a logical tie.

Chairman WYDEN. What about the sweat equity programs, Ms. Jelinek. Is that something that you think ought to be strengthened, as the CHIP bill does with some model projects, to try some new approaches in Portland?

Ms. JELINEK. Yes; as I mentioned in my remarks, we are entering into a situation such as that with the Northeast Community Development Corporation, with our new home ownership program. Again, low-income people do not have the purchase price and be able to turn around and have a program that can help turn those people into home owners, because of their own efforts. It is just a terrific concept, because so many of them might not have the money, but they have the sense of responsibility, they have the tal-

ents to do the physical side of it perhaps, but they just do not have the cold, hard cash to put forth in the beginning.

Chairman WYDEN. Do you think it would be a good idea to look at sweat equity programs for renters, with the idea of perhaps being in a rental situation with an option to buy?

Ms. JELINEK. I think public housing is kind of turning toward that, as a matter of fact, with Secretary Kemp's emphasis on tenant management and tenant ownership of units, so, that could be a concept that would be very workable in the future perhaps.

Chairman WYDEN. Let me ask you also about the question of drugs in public housing, and certainly there is enormous concern about this and the question of people abusing these programs. Are there additional steps that you believe that the Federal Government should be taking to deal with this particular matter? I asked, for example, one of the earlier panels whether there was a need to run criminal record checks of public housing applicants. My question to you would be, are there additional steps that you think Congress should be taking at this point to deal with this matter?

Ms. JELINEK. We have the two main programs, the Lower and Public Housing Program and the section VIII. In the Lower and Public Housing Program we are the landlords, so we are able to have a lot more freedom in deciding who is going to be receiving that assistance because we are able to screen more thoroughly. The first step does really come in the screening, and I think that if, especially in section VIII, if landlords who own the private properties the people are going to be moving into, could be more aggressive in the screening process and not just look at the guaranteed rent portion, but look at who is going to be operating in their property, then it would be a big step toward solving that problem.

Some other things we might want to see come down in the future is a loosing up, especially in the Section VIII Program, of the restrictions of when we can remove a subsidy from someone who has qualified under the Section VIII Program. Right now, it is basically for fraud in the program, for owing us money in any of our housing programs, or for not using a unit solely as a residence. That keeps our portion of when we can remove that subsidy very restricted. As far as removing it for drug activity, we have to have documented evidence so that we are not coming down on someone who is innocent of drug activity, and even though there have been some complaints, nothing has been really substantiated, because we do not want to deny anyone housing.

Chairman WYDEN. So, I am still unclear whether you think there are any steps Congress should be taking in this area.

Ms. JELINEK. What I am trying to do here is kind of push for less restrictions, I guess, in the program for our role, especially in Section VIII Program. Also, in making it so that we do not have to allow someone who has been in the Lower and Public Housing Program and evicted form our program for drug activity, allow them to come back into the Section VIII Program and be certified.

Chairman WYDEN. How would you know?

Mr. JELINEK. Because we administer the program, so we would be able to do that. We are not able to deny them anything but income at this point, for the Section VIII Program.

Chairman WYDEN. Then, in effect, you are saying that you would support a change in Federal policy, so, if they were ejected from one of your programs for using drugs, they would not be permitted to come into one of the others, and that is allowed under the existing——

Ms. JELINEK. At this point, because we are not able to screen for——

Chairman WYDEN. Criminal records.

Ms. JELINEK. Criminal—well, screen period. We are prohibited by Federal Regulations to screen in the Section VIII Program.

Chairman WYDEN. Do you think that you should be given authority to screen criminal records?

Ms. JELINEK. I know that Dick is dying to say something here.

Chairman WYDEN. Well, he will have a chance.

Ms. JELINEK. At this point we would not want to have it. It would have to be looked at very closely so we would not be doing, as the earlier panel had spoken to, denying people who really need housing on the basis of something that happened 8 years ago, where some sort of criminal activity that has been documented in that form.

Chairman WYDEN. I would be interested in hearing from you in this too, Mr. Brinck.

Mr. BRINCK. The drug question is probably one of the greatest problems that we are dealing with in assisted housing today. Carol is absolutely right that in public housing, as the landlord they have, really, a great deal of latitude when it comes to tenant selection. That is that they have the same rights, responsibilities, and obligations of a private owner letting anybody into a unit that they own. They certainly need to look at the background and make an adequate review of the tenants past records before letting them into a public housing unit.

Whether they choose to be influenced by a criminal record, they certainly could look at it, but I think they would be wrong to arbitrarily deny a person assistance because of a past criminal record. The biggest question is in the Section VIII Program. The Section VIII Program is, as determined by Congress, a rationed entitlement. That means that all families who are of low income have a right to apply for a limited number of units. Clearly, we have given Federal priorities. Congress has dictated and HUD has implemented through the housing authority and through privately owned Section VIII Projects, certain priorities to assure that this limited resource gets to the most deserving. Specifically, people who are paying an exorbitant portion of their income, people who are living in substandard housing, or people who are without housing to get priority for Federal assistance.

It is perhaps possible it is going to take minds greater than mine to determine what the wording would be that could impact those Federal priorities to make some exclusion of drug activities, but that is a possibility.

Chairman WYDEN. I think the great minds are going to have to get together on this, and I said to Commissioner Bogle and Commissioner Kafoury that I would be giving them a call, and we are going to ask you, Carol, and you Mr. Brinck, to sit in as well, because I think it is clear there is tremendous public concern about

this, and I think we just better get at it quickly to see what additional steps need to be taken, and particularly insuring that there is authority to evict people quickly when these problems develop. It seems to me evicting people quickly when the problems are actually determined and then to have this information for screening purposes is essential. We will be in touch with both of you to discuss this very shortly.

Ms. JELINEK. Mr. Chairman, just to add a little on that. Last fall the housing authority instigated a new lease that includes a 24-hour eviction clause for outrageous behavior, which includes drug activity or using your unit not solely for residence. We also met in the Spring with representatives from the local HUD office and Drugs and Vice to see how far can we go, what can we do, and with the advice of the HUD office and some input from the Police Department, we have been trying to push it as far as we can to get people out. In our Lower and Public Housing Program, again, we are able to evict more quickly because we are the landlord. In the Section VIII Program, we can stop subsidy, but that does not get the person out of the unit; only the landlord can evict them, and so, even though they are not being subsidized anymore, that drug activity could continue until the landlord takes his responsibility seriously, and gets that person out, and starts the eviction process.

Chairman WYDEN. Unfortunately, the community looks beyond some of these archaic technicalities and sees that there is a drug dealer still there, and they want to know what is going to be done. So, we will pursue this with both of you and be in touch on it real shortly.

Just one question for you, Mr. Schoessler. The 312 Program, is it your view that this could be helpful if reinstituted in our State?

Mr. SCHOESSLER. Definitely. The communities that I have talked to have used it in the past and had positive experiences with everything wherever they have tired it.

Chairman WYDEN. What has the housing agency's role been in the Portland Abandoned Building Task Force?

Mr. SCHOESSLER. We sat in on the committee efforts in designing resolution to that. Presently, our inventory of houses in northeast Portland, especially, is very limited. We only have about 20 houses in the Portland area entirely.

Chairman WYDEN. How many of the buildings have been identified as belonging to the State or Federal Government?

Mr. SCHOESSLER. In the Abandoned Buildings Task Force?

Chairman WYDEN. Yes.

Mr. SCHOESSLER. I do not recall what the number is. I can, as I say, relate to you that our inventory has been constantly declining, and we, I believe, right now we have about 20.

Chairman WYDEN. Any idea though on how many abandoned buildings belong to the State and Federal Government? Is it 20? Is it 100? Do you have a figure for Portland.

Mr. SCHOESSLER. For the city of Portland, for example, is that what you are talking about?

Chairman WYDEN. Yes.

Mr. SCHOESSLER. I would guess that the total including VA, FHA, and the State Program would be under 200, and there may be an

incidental Fannie Mae or Freddie Mac property, but there our involvement would be almost insignificant.

Chairman WYDEN. OK. Thank you, and we will be working with you in the days ahead. We appreciate it.

Our next panel, Mr. William Reed, chief executive officer, R&R Management; Mr. William Biornstad, senior vice president, Benjamin Franklin Savings and Loan; Mr. W. Ross Dey, owner and president, the Conifer Group; Ms. Jane Olberding, owner, Fair City Housing. If you four will come forward.

We welcome all of you. We are going to have to keep everybody on a 5-minute time line. Five panels is probably more than what you try and take on in a morning, but we appreciate your patience. Mr. Reed, why do you not begin. We will make your prepared remarks a part of the record in their entity and if you could summarize your views, that would be helpful.

TESTIMONY OF WILLIAM REED, CHIEF EXECUTIVE OFFICER, R&R MANAGEMENT

Mr. REED. OK. Well, in the past 4 years we have rehabed about 140 vacant and abandoned structures, and that has been strictly private and mostly out of my own pocket. They have been averaging about $3,000 of costs to get it up.

You keep going over and over the problem of the vacant and abandoned structures, and the vacant and abandoned structures are not a physical problem. It is a tenant management problem that relies on 20 percent of the tenants in a certain area, and those tenants, I guess you would call them the demolishers. They will go into a house that is habitable, and pretty much demolish it, and move onto the next one. I think if you want to address your vacant and abandoned housing problem, you have to address how do you control that group of tenants.

To listen to the panels I have heard in the past and what have you, it seems like landlords like to board up their houses and walk away from their investments because it is good economic sense, and that is just not the fact. What happens is they cannot put up with the economic negative cash-flow and they cannot put up with the physical harassment. Unless you are inclined to take a proactive stance against the drug dealers, against the people who are willing to trash the house on you, then you almost inevitably give up.

I think there are some solutions to that problem, but it has to be based in area resident managers. It has to be based in the community. You have to be willing to knock on the doors and go in with the vice squad for a 24 notice of entry for the landlord to take a look at his place. You need to be willing to take some more of a family approach to your rentals, in that you try to assist your tenants.

You mentioned before about a security deposit to get into houses. That is already taken care of by welfare in most cases. If a person has not used welfare within the last year, they will get the first months rent and a deposit, and I have a couple of those a month. When you talk about affordable housing, I have probably six or seven houses right now that if you gave me a good tenant I would

rent for $200 a month. In the areas that we are talking about there are no good tenants.

You addressed the problems of how to get more housing stock. Well, you will not get owners in there, and you will not get good tenants in there until you find some way of controlling the group of tenants that are presently located in those areas and settling them down so they are not so disruptive to the area in general.

The other point that we brought up right along is jobs and how do we create more jobs in the community. Well, you talk about property managers, there is a need for probably one job for every 15 to 20 rental units, and that is a full time job. There are jobs in there for day care providers and adult foster homes and there needs to be able to—I would say low-tech jobs, or jobs created within the community, servicing the community.

You try to get a plumber from outside of the community. They do not want to come in because they are afraid their tools are going to get stolen. They are going to be ripped off. You try to get a painter or a plumber, and they will come in, and they will leave.

What we need to do is develop entrepreneurs in the community who are willing to do the maintenance, willing to do the child care providing, willing to do a lot of stuff that is now farmed out outside the community, and it would be real easy and, I think, a fairly low-cost item to create those types of jobs.

The problem is that they are fast failure type jobs. I mean you are going to get a person in there, and you are going to front them $2,000 or $3,000, and try to set them up in a business, and one out of five is going to fail, and maybe they will fail two or three times. But the actual cost for producing a job, I think, is relatively low, compared to some of the programs you have now where the jobs are not self-sustaining.

The people who I have hired have very few of the basic job skills that would allow them to stay on a job week after week, month after month. You would have to develop an entrepreneurial type of job corps, where people are working on, similar to how their life styles are, and from that, maybe they can develop the work habits from which they can get real jobs.

But you listen to this panel and it sounds like there is a lot of money being thrown at the wrong problems. You could rehabilitate every house in North Portland, and, if you do not control the tenants, they are just going to go through and trash them again. There is a lot of things that I hear that do not seem to be applicable to the real life. I have 60, 70 houses in the hard core area. I have four drug houses that I do a month, because when people come in, and they do not have any money, they do not have any ID, you try to check them out. What you have to do is you develop a harder attitude, but you cannot say, well, you are 20, and you are single, so I am not going to rent to you because 60 percent or 70 percent of the young 20-year-old females that I rent to have their boyfriends move in and trash the house. You have to develop a more active management style. You have to be able to act as an extended family or a community, and I do not see any of that being proposed here. So, I do not think money is the problem, I think it is the commitment.

Chairman WYDEN. Thank you. Why do we not go to you, Mr. Biornstad.

TESTIMONY OF WILLIAM D. BIORNSTAD, SENIOR VICE PRESIDENT, THE BENJ. FRANKLIN FEDERAL SAVINGS AND LOAN ASSOCIATION

Mr. BIORNSTAD. Well, you have got the party line, so I will not bore you with reading that. I think, basically, the issue is people and the Federal Government, as far as its role philosophically, is in the funding of the local effort, and I think you have seen some valuable resources here today, in Don with Northeast Coalition, and Jim with what he is doing in REACH Development, and so on, and people who are involved at the street level where the rubber meets the road, dealing with people-on-people issues.

In addition to the issues of abandoned housing, the economic zones, and so on, if we do not take an interdictive approach to stabilization of the neighborhood to keep the residents, as was alluded to previously, who are there now in those neighborhoods, actively participating in the neighborhood groups and working in the neighborhood, then we are just going to have a revolving door. The rehabed house of today in 2 years is going to be the abandoned house of tomorrow.

We have three basic issues that involve people, the economy, the safety issue, which typically is referred to in terms of the drug issue, and housing, which specifically you are dealing with today.

I think one of the reasons I was invited today is because of the Benj. Franklin's involvement with Habitat for the Community. I think that Habitat, which is a national organization that you are familiar with, which has received notoriety because of the efforts of former President Carter and his wife in Brooklyn and recently in Minnesota, is a group that is interested in people issues, getting people back into housing, and it is dealing with hope, which is the bottom line that you are talking about with the CHIP's legislation.

The sweat equity, as is dealt with on Habitat format, is consistent with the 312 Program and goes one better, because without the technical assistance, without the ability to meet code, and to deal with issues of putting the new house on, and painting for a single mother with three kids that was alluded to, it is going to be very difficult for some of those people to be able to utilize the program, whether it is developed by the Federal Government or not.

The other thing that Habitat does, which is interesting, is that it qualifies the people, and it qualifies them in terms of can they handle the debt service. Putting someone in a house is not doing them a favor if they cannot handle the load of the monthly payments, and the upkeep, and just the responsibilities of home ownership.

You have asked questions relating to investors. Investor, in our mind, is not a bad word. Absentee landlords who allow the housing stock to be ruined and have no concern for the residents of those units, that is a bad word in our mind, but there are a lot of responsible investors who are trying to provide adequate housing stock to people who have no intent of looking for a home to purchase and who need to rent.

I think that your program for helping with the security deposits—you may have a little trouble with the administration of that, which agency is going to administer—but I think the concept is valid.

The Nehemiah Program—I think that the efforts that you are making there to define legislative contiguous rather than an administrative ruling out of HUD is right on the mark and is consistent with what we need in Portland. I think that the Nehemiah Program, as originally conceived, is an excellent program for Philadelphia and New York, but this is not Philly, or New York, or Chicago, and we have a different kind of an environment that Don Neureuther referred to.

Those are my comments.

[Mr. Biornstad's statement may be found in the appendix.]

Chairman WYDEN. Well said. We will have some questions in a minute. Mr. Ross Dey, and we are happy to have you Ross and know of your really outstanding work over many years on these issues.

TESTIMONY OF W. ROSS DEY, OWNER AND PRESIDENT, THE CONIFER GROUP, INC.

Mr. DEY. Thank you, Mr. Congressman. I am Ross Dey with Conifer Group. I want to break my discussion with you down into two sections, multifamily and then single detached housing.

On the multifamily issues, there is no doubt in my mind that the day that the 1986 Tax Act was signed into law was the Pearl Harbor day for tenants of low and moderate income. It might even be worse, because I think all of their aircraft carriers were in the harbor.

Since that passage, 600 units a day less have been built, with most of that housing in the categories that we are talking about today. The Portland area is a perfect example. We are building multifamily housing units like they are going out of style, with rents starting from $600 to $1,000, and that is not in the neighborhood of what we are talking about in low and moderate income.

What we did on that day is change the way this country has financed the shelter industry for the people. We had the best shelter industry in the world. We did it on tax incentives. We have completely changed the way now, and we are going to try direct subsidies, and just based on all the other countries in the world, that will fail.

What can the Federal Government do? The simplest thing the Federal Government can do is Congress remove multifamily housing from the passive acts of the 1986 Tax Act and remove the $25,000 limit. Unfortunately, I doubt the chances of any of that are slimmer than zero, more than likely minus infinity. But that is the easiest thing for Congress to do.

What Congress more than likely will do is spend hundreds and hundreds of hours and billions of dollars in direct subsidies, which will help, but will never solve this problem. The number of homes are going to increase dramatically. We are starting to see it now. I talked to you several years ago and said it would take 10 to 15

years. Well, I might have been over conservative; it might be faster than that.

Owner/occupied or single detached—I will move quickly. What is it, a picture is worth 10,000 words? Here is a pin map of abandoned houses in the City of Portland, and you can see where most of them are concentrated. I, and several people, are forming a private non-profit development corporation. We hope to register the name HOST, which is Home Ownership a Street at a Time. We are going to work extremely close with Northeast Development and so forth, and that would be working with them right along.

We are looking for three types of buyers: First, people who can afford it; second, people who can afford it with a subsidy; and third, the homeless.

We believe a couple of the principals that we have to deal with are: One, we must start on the periphery, there is no use starting in the middle; and two, we must pick one, two, or three streets that we can control all of the houses on that street. With the Northeast Community Development, we have a street in mind already.

What we are trying to do—I guess we are slightly different—is that we are going to try and get private enterprise interested in doing this, because I believe this is the only way we are going to completely and totally help solve this problem. The idea is if we can fix up a street, like Peacock Lane, and you will understand the analogy here, and do two or three of them to show that we are serious, hopefully, people will come in on a street corner and say, hey, I am willing to buy that house for $5,000, and put $10,000, $15,000 into it, and perhaps sell it for $25,000, $30,000 and make some money. I believe that will help.

Obviously, everything else must go into it too. You have got jobs, you have got the community, the County, social services, et cetera, but there is a market out there, and we are going to try and see, and be novel, to see if private enterprise can help in this situation.

Ironically, I believe, the bill that was just signed today by the President, on the S&L bail out, has some very interesting things in it.

Chairman WYDEN. The taxpayers are going to find out how interesting in the days ahead.

Mr. DEY. Yes; right. Well, one of the nice things is, it says that banks and so forth will put aside some money to buy down the first mortgage. Nehemiah Project, et cetera, are excellent. We need them. But you also have to have the first mortgage and the S&L, if part of that relates it, I think would be a big help.

Chairman WYDEN. Thank you, and we will have some questions.

Mr. DEY. Oh, one other thing.

Chairman WYDEN. Yes.

Mr. DEY. You are talking about having a meeting to discuss section VIII, et cetera. Please include the private sector, because we have some input that I think will help.

Chairman WYDEN. Good point. Ms. Olberding.

Ms. OLBERDING. OK. I am here representing myself and my father, Neil Kelly. I have a written statement. I will not read it. We are short of time. Can it still be part of the record?

Chairman WYDEN. It will absolutely be part of the record. That will please me greatly, and just talk to us.

TESTIMONY OF JANE OLBERDING, OWNER, FAIR CITY HOUSING, ALSO REPRESENTING NEIL KELLY DESIGNERS/REMODELERS

Ms. OLBERDING. OK, I will talk informally about what I am doing. I have been involved with rehabing houses for the last 2 or 3 years. I did not wait around to develop programs, but started for a profit. I consider myself a socially responsible developer. I have been involved with about 15 projects. One point I would like to make is that in the last 2 years I do not think I have put any money in my own pocket. So, I am for profit, but in a way nonprofit.

The houses that I am doing have been mostly boarded up. They are all in this neighborhood, North/Northeast. They have all required at least $15,000 worth of work. In some cases $18,000. I am working on one right now that I bought for $1, and I am spending $22. I have gone to the Portland Development Commission as my primary funder and in a few cases have gone and begged at other banks.

The question of sweat equity is really interesting to me. Based on my own experience I would say that out of all the people that I have worked with, maybe 30 percent are in a place where they could do work on their own house, and 70 percent of the people I deal with, because of drug and alcohol problems, low self esteem, because of poverty, living on the edge, they are not in a position to do that kind of work.

I had no problem offering a house to a family where I have spent a lot of money that is in perfect condition and saying here. I mean it is a real thrill, and it is really wonderful. The real gift that I can give them is that not only am I a developer, but I am an advocate, and I need to stay right with them. I provide ongoing service. I am like house mom. I mean we talk where you can get a lawn mower, maybe you can borrow one. I think one time recently I came up with a graduation dress. So, giving them a house, giving them a house in excellent condition is my first step. The second step is ongoing support.

One of the major reasons for failure, that I have come up against, is high utility bills. I come up against this usually after the fact. It would be really nice if our utilities could be right out there when they see the bills high, when bills are not being paid. That is usually the first sign that the family is somehow, I mean things are getting crazy, things are falling apart.

One of my big concerns about the whole question of home ownership is who is our market, and how are we going to find them, and how are we going to education them?

I frequently try to talk people into buying houses and because they are so sure that the down payment is going to be outrageous, or that their credit is not good, they do not take the steps that would get them a house with payments a lot lower than rent.

I am really excited about the street-to-street possibilities. We concentrated on one street, Northeast Church, which is right over near here. When I first went and looked at that street, I thought it was really depressing. Once I went door to door, I met some very lovely families, and out of 19 houses, 6 were home-owned, the rest

owned by investors, and we were able to make a big difference. I think forming a neighborhood watch there was a real key.

Chairman WYDEN. Ms. Olberding, excuse me one second.

Ms. OLBERDING. Sure.

Chairman WYDEN. Is this street-to-street approach the same thing that Mr. Dey was just talking about?

Ms. OLBERDING. I do not know. I am working all by myself, so I have not really talked to anyone else about this. It seems to be coming up more and more.

One thing that I found that makes a real difference is cosmetics.

I live in a neighborhood that borders this neighborhood, and every bungalow house looks great, has flowers, and it is very quiet, and we can go a block away over toward Prescott where there are a lot of houses that are not necessarily abandoned, but not kept up. It is like the message is out there. You can play loud music, you can use bad language, you can be crazy, and I am really on my high horse these days about yards, about lighting, about cosmetics. I have one house that sat empty for months because we consistently rented to drug dealers, it seemed like. No matter who I found for that house they turned out to be crazy.

Finally, just recently, we spent a lot of money on the exterior, did up the yard, painted the house and immediately had several good rental possibilities, and it is now nicely rented.

Anyway, thank you.

[Mr. Kelly's statement may be found in the appendix.]

Chairman WYDEN. Thank you. One comment that you made in particular strikes me as interesting. You, I think, were unclear whether Mr. Dey was working on the same thing you were working on, this question of street to street. Do the applicants for community housing, the people that we are talking about through this whole morning, almost 3 hours now, do they ever get together? Is there a program where, say once a month, they get together and exchange ideas about various approaches?

Ms. OLBERDING. No; though I network with Bill about it. It is more of a bitch session, comparing notes about how bad things are, but it needs to happen; it needs to be.

Chairman WYDEN. That is all right, too. I mean do you think it would be useful if say once a month we were to get together in our community the advocates for the kinds of housing programs we are talking about and exchange ideas, at the very least know what each other is doing?

Ms. OLBERDING. It would be.

Chairman WYDEN. I am going to take that on as a project, because I was kind of mystified by what you were saying, and it seemed to me what you were saying was very close to what Ross Dey was saying. I mean it is one thing to talk about Government programs, and legislation, and the like, but quite another to determine if people in the community know what each other is doing and can at least exchange ideas, and that is one thing that I am going to pursue.

Mr. Biornstad, you all have been working with Habitat International and, of course, have some interesting initiatives going there. Based on that involvement with Habitat International, are there any ideas that you think that the Federal Government should

pursue in terms of trying to encourage sweat equity kind of programs?

What my bill tries to do is basically say lets look at a handful of model programs. There have been sweat equity programs before. They do not seem to be used very much, and there are some problems with, how they are conducted, supervision and the like. What would be your advice if the Federal Government was to try to carve out a more constructive role in encouraging these sweat equity programs?

Mr. BIORNSTAD. Well, I think the thing that is making those programs work is the lack of involvement by governmental levels, and I think that any time we bureaucratize or, excuse me, politicize the process, that tends to get in the way. I think one of the reasons that Habitat has been effective, and other groups such as Habitat, is they have tended to operate unilaterally almost. The fact that the Benj. Franklin has the largest savings and loan in Oregon, happened to donate six properties, it was more accident than anything. It is just because I happened to be, I guess, a little off beat as far as most savings and loan people. But it has worked very effectively.

Habitat does not rely on any Government funds. A lot of the people at this table do not rely on Government funds and a lot of the work that is being done on the grass roots level is being done by people like this, who maybe are not networking yet, and I think that your idea about providing the network vehicle would be very useful.

I think that the Nehemiah Project and some of the things on the deposit bail out program, which is what I prefer to call it rather than savings and loan bail out, I think will facilitate the investment in low-income housing.

But as far as proactive steps on the part of Congress, I think that things that are being done at grass roots level need to be done there, and trying to legislate that might road block and preclude the actual accomplishment of what they are trying to do.

Chairman WYDEN. Well, nobody is talking about some kind of prescriptive Federal program. My interest in this is that these abandoned properties are now owned by the Federal Government. What you are talking about is a very sensible idea, and they have all gone forward without Federal funds and without the Federal Government.

My concern is, how can the Federal Government, which owns these abandoned properties, duplicate the kind of thing, which as you say, is taking place without bureaucracy, and without being politicized, and the like. That is my reason for talking about it. The Federal Government has these abandoned properties on its hands.

Mr. BIORNSTAD. I think most of the abandoned properties that we are seeing today, as was mentioned by Mr. Brinck from HUD, are not institutionally owned. For example, in our portfolio, we have a total of 41 single family residents in the western region, which includes all of Oregon and Washington west of the Cascades. We have 41. We have no abandoned property for all intents and purposes for an institution of $5.5 billion. HUD does not have it; VA does not have it. What we are seeing is that people who inherit property, or who have rentals, and saw years ago that they could make some additional income, or that property values would appre-

ciate, and they would be able to sell that for the college or whatever. They are finding they cannot rent it. If they are going to continue renting they have to rehab the property and put significant funds in because they are being trashed, and they are letting the taxes go to maximize their cash-flow. They get to the point 5 years out where it is going to go for back taxes, and they are letting it go.

Many of the abandoned properties on the map are individual owners, out-of-state and absentee landlords who have just given up, and some of the people have given up because of utilities, taxes whatever. I think that Commissioner Kafoury's comments about the city, the county, and now the school district working together to resolve the problem of back taxes is a significant initiative that could very rapidly service an indicative method to make sure that more properties do not roll into abandoned housing soon.

Chairman WYDEN. Yes.

Mr. BIORNSTAD. If the Federal Government could support that in some manner, I think that would be a useful initiative.

Chairman WYDEN. That is what I want to see, and that is why I was making calls yesterday, to deal with this crunch we are in, in terms of the Nehemiah Program and being able to apply here when we have to meet this time deadline.

My sense of where those abandoned properties are, is they are owned by a bunch of investors far afield, and when Mr. Brinck was here with HUD, the question really was where are those properties going? That will be something which I am going to follow up on quickly as well, after this hearing, to look at this question, the back taxes and look at the question of who owns these properties. I do not think we are going to get a handle on neighborhood revitalization unless we follow that up, and your point is helpful.

Ross, your comments are helpful as always. My guess is that what you probably want is for the Federal Government to leave the HOST Program alone. It sounds like a good idea and a private sector initiative. Please keep us abreast. HOST stands for Homes——

Mr. DEY. Home Ownership a Street at a Time.

Chairman WYDEN. Too logical, too logical. All of you have been very helpful. Mr. Reed made one comment that I wanted to touch on as well. Clearly, the way we deal with crime and drugs is going to affect everything in the area of housing and neighborhood revitalization. I spend more of my time as a legislator from this area, on the crime and drug issue, than any other. For example, just last week I was with the prosecutors where they endorsed my legislation to make it easier to prosecute violent repeat juveniles—violent repeat offenders who have committed crime after crime after crime—in Federal Court, because right now many of them have just slithered out of the local systems. So, as you leave, your point, message sent, message received, because that will be an essential prerequisite to any kind of neighborhood revitalization and economic development program that we are talking about today.

Did any of you have any comments on the enterprise zone portion of the bill? I gather there is support on this panel as well for that.

Mr. DEY. Congressman, absolutely. Obviously, it is a complete package. No use fixing up a house if a person cannot afford it, and

to afford it, they need a job, and more, while our minimum wage would be $4.75 in a couple of years, they need jobs that pay them.

Mr. REED. One of the things I might interject on the home ownership. If I were to require sweat equity, the equity I would require would be the owners attending weekly meetings to understand about home ownership. Most of the people who I deal with—that would be your potential home owners—have no concept of ownership, have no concept of repairs, and no concept of purchasing. With a lot of the things you do, something will go wrong, a sewer, or a drain, or something. They will call Redi-Rooter, get socked with $75, when they should have an access to inexpensive types of maintenance help.

Chairman WYDEN. OK.

Mr. BIORNSTAD. I think that Ross is right, I think that this is a three-legged stool, and the economic development is absolutely essential. I think that one of the reasons we have seen the neighborhood that we are meeting in today rapidly deteriorate, is because of the jobs moving from Martin Luther King Boulevard and from that whole area, North and South. That needs to be addressed in order to stabilize the neighborhoods, get home ownerships, and get families back in this neighborhood.

Ms. OLBERDING. I think that what you are trying to do is to expand the development that people like Bill and I are already doing, and I hope that you will see us as resources. I am always willing to give tours. I am always willing to introduce people to my tenants and my family.

I want to make another point, too, and that is even the slimiest drug dealers who I come up against have always asked for jobs. Everybody asks for jobs.

Chairman WYDEN. One last question, Mr. Biornstad. Have you all been meeting with HUD and the other Government agencies on this matter of the abandoned properties and who owns them?

Mr. BIORNSTAD. The Mayor's Homestead Task Force has dealt with public and private institutions. There are a number of groups, task force. Yes; there is a significant amount of energy and activity. I think the thing that has been missing is the linkage between the institutional layer and the street layer, and that is being addressed and is starting to go away. I think the linkage is taking place, so that it is not merely an institutional arrogance in terms of developmental programs that we are going to cram down your throat. It is going down to the people who are actively involved in the street and saying, what do you need, what do you want to see in terms of various programs, and how will it work, from people who are actually actively involved in the street. I think that is taking place more and more. I think more and more people are actively involved. The King Neighborhood Association and Elliott Neighborhood Association, in terms of standing up and saying this is what we would like to see and what is going to work for us.

This is another reason I think the Federal Government—it is very difficult for Washington to develop programs that have the flexibility and the adaptability that are going to work in Philly, and New York, and Portland, and so on, and I think it takes a coalition of public and private working together to try and resolve the problems, because in this city, different neighborhoods have differ-

ent problems. In order to address those, we have to develop things that are flexible enough to address the specifics involved with that neighborhood.

Chairman WYDEN. I think that really sums up where the Federal Government ought to be going. Flexibility is everything. You just look at some of these programs, and it is almost as if they are condemned to go down even before they start, because of the straight jacket approach.

Your point about the institutions getting the information out to people on the street is what I am really interested in.

For example, those investor properties, do we get information on the street to people about who owns those now and how they might be reached and contacted on some of these community programs?

Mr. DEY. At this point; no. There are initiatives with, for example, the neighborhood associations identifying who owns those and so on. I do not think that we are anywhere close to being where we need to be to do exactly what you are talking about.

Chairman WYDEN. That is really what I want to follow up on again. Do we have a list of all the investors who own these properties now? Do you have one?

Mr. DEY. Certain groups have different lists. I do not know if there is a consolidated list that includes that. HUD, for example, has their abandoned housing list, and what is for sale, and so on. Elliott Neighborhood Association, I know, has done a house-to-house survey of who owns each property, whether it is owned or occupied. King, I believe, is in the process of doing that, and I believe Savin is as well. So, the neighborhood associations, in my understanding, have undertaken that initiative and are proceeding ahead to do that.

Chairman WYDEN. I think a centralized list would be very helpful, would it not? You talk about removing the institutional arrogance—if you had a centralized list, that information could then be made available to all the community groups that have been talking today, and they could work with the investors.

Mr. BIORNSTAD. Absolutely.

Mr. REED. Congressman Wyden, on the street, we have been working with the Northeast Community Development Commission. There are nine houses on it. There are two houses that we know the names of the owner. You try and find them.

Chairman WYDEN. Yes.

Mr. REED. We have run up against a stone wall on where they live in the world, if they will exist.

Chairman WYDEN. I ask this for any of the panelists. Who would be the best positioned right now to come up with the centralized list of the properties and the investors?

Mr. REED. My guess would be the Mayor's Homestead Task Force, or the Northeast Revitalization Program. I think segments—and it depends on which neighborhood you are talking about or which segment. I doubt that Don, over at Northeast CDC, has got one on a consistent basis, but one of those two people would be my guess, would have that list.

The Water Bureau has a list of people that had the water shut off, and there ought to be some way to interface that with the county, who has a list of people who own the property and their

addresses, and, if you used a parameter of back taxes, I would think you could know now pretty easily.

Ms. OLBERDING. You did not ask us about how we felt about the criminal checks. I thought that is a good point. I, as a landlord, would really like to have that information and frequently go after it myself.

Chairman WYDEN. Do your own screening for criminals?

Ms. OLBERDING. Right, and it is not easy information to get. I think that as an employer you can get it, and I go through some back doors and get that information when I need to.

Mr. BIORNSTAD. I think from a real sense though, that many of the people that are being taken out of the housing units are the sons or relatives of the people that are responsible for the renting, and whether or not you are actually going to pick up the real world, whether or not they have a criminal background, or whether someone living there has a criminal background, I do not know if that is going to serve any purpose.

Mr. REED. I think it goes back to intensive management. Jane is doing it right. She knows her renters, she knows who is there, she can go by. If you do not have an area resident manager—and I have hired a couple trying to do it that way. They knock on the doors, and they are proactive. They have their vacuum cleaners, their lawn mowers to borrow or loan. They try to interject into disputes with the neighbors, and basically you are talking about a den mother, a house sitter. One of the ways you are going to control the element that is doing the harm to the area is by closely monitoring them. There are no home owners who are going to buy in the area I have my rental houses until you stabilize the area. You have to do it by monitoring it, by proactive response, by just actively being a social worker.

Chairman WYDEN. You all have been very helpful, and it seems to me have made the central point that it is going to take a whole lot of cooperation and a lot of elbow grease to try to take advantage of all the available resources. We are going to see what we can do to put together a regular kind of forum so that people can exchange ideas. I have received a lot of good feedback on the CHIP legislation, and I have heard helpful comments on that.

Mr. Reed, I think you heard me talk with the city and the county about the followup in the drug area so that we can pursue that, and the comment made about involving the private sector is one that will follow as well.

So, you all have been very helpful, and suffice it to say, we have a lot of hay to bale in this whole area, and we will be working closely with you and appreciate the help.

The subcommittee is adjourned.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

I

101ST CONGRESS
1ST SESSION

H. R. 2743

To increase economic development opportunities and housing opportunities for low- and moderate-income households.

IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 1989

Mr. WYDEN introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To increase economic development opportunities and housing opportunities for low- and moderate-income households.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Community Housing Investment Partnership Act".

(b) TABLE OF CONTENTS.—

Sec. 1. Short title and table of contents.

TITLE I—SECTION 312 REHABILITATION LOAN FUND

Sec. 101. Restoration of funds for section 312 rehabilitation loan fund.

TITLE II—HOMEOWNERSHIP THROUGH SWEAT EQUITY DEMONSTRATION

Sec. 201. Establishment of demonstration program and grant authority.
Sec. 202. Demonstration program requirements.

Sec. 203. Acquisition of housing.
Sec. 204. Technical assistance.
Sec. 205. Report to Congress.
Sec. 206. Definitions.
Sec. 207. Regulations.
Sec. 208. Funding.

TITLE III—ELIGIBILITY FOR NEHEMIAH HOUSING OPPORTUNITY GRANTS

Sec. 301. Eligibility of neighborhoods with contiguous blocks containing vacant or unimproved lots.
Sec. 302. Applicability.

TITLE IV—GRANTS FOR SECURITY DEPOSIT LOAN FUND DEMONSTRATION PROJECTS

Sec. 401. Establishment of grant program.
Sec. 402. Requirements of demonstration projects.
Sec. 403. Application and selection of grant recipients.
Sec. 404. Technical assistance by Secretary of Health and Human Services.
Sec. 405. Reports.
Sec. 406. Definitions.
Sec. 407. Regulations.
Sec. 408. Authorization of appropriations.

TITLE V—ELIGIBILITY FOR ENTERPRISE ZONE DESIGNATION

Sec. 501. Expansion of enterprise zone eligibility.
Sec. 502. Designation of enterprise zones.

TITLE I—SECTION 312 REHABILITATION LOAN FUND

SEC. 101. RESTORATION OF FUNDS FOR SECTION 312 REHABILITATION LOAN FUND.

(a) FINDINGS.—The Congress finds that—

(1) the housing rehabilitation loan program under section 312 of the Housing Act of 1964 has been instrumental in providing funds for rehabilitation of housing for low- and moderate-income households and mixed-use and nonresidential properties;

(2) the Federal Government has provided approximately $1,500,000,000 in loans since the inception of the section 312 program in 1964;

(3) section 312 housing rehabilitation loans are made to local development agencies to foster local solutions to housing problems rather than solutions with a national scope;

(4) the section 312 housing rehabilitation loan program has been operating on a self-financed basis, without any Federal appropriations, since 1981;

(5) the Department of Housing and Urban Development—Independent Agencies Appropriations Act, 1989, transferred $200,000,000 from the section 312 housing rehabilitation loan fund to other programs;

(6) the Federal Government should be promoting, not hindering, successful development programs that are developed and administered on a local basis;

(7) any amounts in the revolving loan fund for housing rehabilitation loans under section 312 of the Housing and Community Development Act of 1964 should not be transferred for other uses; and

(8) the section 312 housing rehabilitation loan fund should be restored to the balance that would have existed if amounts had not been transferred from the

fund by the fiscal year 1989 appropriation Act for the Department of Housing and Urban Development.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for the revolving fund under section 312(d) of the Housing Act of 1964 (42 U.S.C. 1452b(d)) $200,000,000 for fiscal year 1990.

TITLE II—HOMEOWNERSHIP THROUGH SWEAT EQUITY DEMONSTRATION

SEC. 201. ESTABLISHMENT OF DEMONSTRATION PROGRAM AND GRANT AUTHORITY.

(a) ESTABLISHMENT.—The Secretary of Housing and Urban Development shall carry out a program under this title to demonstrate and develop, through State and local housing development agencies, innovative approaches for sweat equity housing programs that utilize the labor and services of homeless and low-income families to rehabilitate abandoned and vacant housing for rental and ownership by such homeless and low-income families.

(b) GRANTS.—The Secretary may make grants to State and local housing development agencies to carry out the program under subsection (a). Grants shall be made under this title not later than the expiration of the 120-day period beginning on the day that funds are first available for grants under this title.

SEC. 202. DEMONSTRATION PROGRAM REQUIREMENTS.

(a) APPLICATIONS.—Applications for grants under this title shall be made by housing development agencies in accordance with procedures established by the Secretary.

(b) MATCHING AMOUNT.—For each fiscal year, the Secretary may not make a grant under this title to a housing development agency unless the agency certifies for the fiscal year, to the satisfaction of the Secretary, that the agency will expend from non-Federal sources for the sweat equity housing program described in subsection (d), an amount not less than 25 percent of any amount received by the agency from grants under this title. The value of any contributions or services provided in kind from non-Federal sources for the sweat equity housing program described in subsection (d) shall be considered as such expenditures.

(c) LIMITATION ON GRANT AMOUNT.—A single housing development agency may not receive, for any fiscal year, more than $100,000 under this title.

(d) SWEAT EQUITY HOUSING PROJECT.—Any housing development agency that receives a grant under this title shall use the grant to carry out a sweat equity housing project as follows:

(1) RENTAL AND HOMEOWNERSHIP OPPORTUNITIES.—The project shall acquire abandoned or unused housing under section 203 to provide rental and homeownership opportunities to participants in the program.

(2) PARTICIPANTS.—The project shall restrict tenancy and ownership in any housing assisted under this title to homeless and low-income families.

(3) SWEAT EQUITY COMPONENT.—The project shall require that tenants and owners (and prospective tenants and owners) of the housing exchange their skilled and unskilled labor and services for part or all of rent payments for the housing or equity in the housing.

(4) HOME MAINTENANCE SKILLS.—The project shall provide training to participants with respect to home maintenance skills.

(5) HOMEOWNERSHIP AND BUDGET COUNSELING.—The project shall provide counseling to participants with respect to financial management and other matters that may be appropriate to assist them in meeting the responsibilities of homeownership.

(6) SERVICE AND SUPPLY BANKS.—The project may establish pools of equipment and materials for the purpose of making loans of the equipment and materials to participants.

(7) CONSTRUCTION AND REHABILITATION ASSISTANCE.—The project may provide for advice and assistance, including providing plumbers, electricians,

roofers, and similar skilled workers, to participants with respect to construction and rehabilitation work.

(e) REPORTS TO SECRETARY.—Each housing development agency that receives a grant under this title shall submit to the Secretary, not later than the expiration of the 27-month period beginning on the date that the agency receives the grant, a report describing the sweat equity housing project carried out by the agency under this title. The report shall include data regarding the number of families assisted by the project, the cost of the project, the cost of each housing unit provided by the project, and other relevant information that the Secretary may require.

SEC. 203. ACQUISITION OF HOUSING.

(a) AVAILABLE HOUSING.—

(1) IN GENERAL.—Notwithstanding section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-12), to provide housing for rehabilitation under a sweat equity housing project carried out under this title, the Secretary of Housing and Urban Development shall make available for purchase, according to the provisions of this section, any real property to which the Secretary holds the title pursuant to title I or II of the National Housing Act (12 U.S.C. 1701 et seq.) and that has been

vacant or publicly available for purchase for not less than 6 months.

(2) APPLICABILITY OF MCKINNEY HOMELESS ACT.—To the extent that property subject to paragraph (1) is also subject to section 501 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11411), such section shall apply only to property not purchased under the demonstration program under this title.

(b) PURCHASE CONDITIONS.—The purchase price of housing purchased pursuant to subsection (a) may not be in excess of the lesser of the following:

(1) 90 percent of the outstanding mortgage balance for the property.

(2) The market value of the property at the time of purchase.

(c) HUD PURCHASE MONEY MORTGAGE FINANCING.—The Secretary may finance the acquisition by a housing development agency of any housing from the Department of Housing and Urban Development under this section. Such financing shall be in the form of the Secretary acquiring a mortgage on the housing to secure the payment by the housing development agency of any unpaid purchase price of the housing.

SEC. 204. TECHNICAL ASSISTANCE.

To assist and train housing development agencies that have received grants under this title in carrying out sweat equity housing projects, the Secretary may provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to construction, rehabilitation, and operation of such projects and to coordinate projects among housing development agencies in the same area.

SEC. 205. REPORT TO CONGRESS.

Not later than the expiration of the 30-month period beginning on the date that a grant is first made under this title, the Secretary shall submit to the Congress a report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program under this title. The report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of utilizing the labor and services of homeless and low-income families to rehabilitate abandoned and vacant housing for rental and ownership by such homeless and low-income families.

SEC. 206. DEFINITIONS.

For purposes of this title:

(1) The term "homeless" has the meaning given the term under section 103 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11302).

(2) The term "housing development agency" means any agency of any State or local government or any private nonprofit organization that is engaged in providing housing for homeless or low-income families.

(3) The term "low-income family" means families or individuals whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary with adjustments by the Secretary for smaller and larger families.

(4) The term "Secretary" means the Secretary of Housing and Urban Development.

(5) The terms "sweat equity housing project" and "project" mean any project under section 202(d) funded in part with amounts from a grant under this title.

SEC. 207. REGULATIONS.

The Secretary shall issue any regulations necessary to carry out this title.

SEC. 208. FUNDING.

(a) AUTHORIZATION OF APPROPRIATIONS.

(1) IN GENERAL.—There is authorized to be appropriated to carry out this title $5,000,000 for fiscal year 1990.

(2) LIMITATION.—Not more than 25 percent of any amounts appropriated pursuant to paragraph (1)

may be used to carry out the program for technical assistance under section 204.

(b) BUDGET COMPLIANCE.—The authority of the Secretary to enter into commitments to make loans under section 203(c) shall be effective for any fiscal year only to such extent or in such amounts as are or have been provided in appropriations Acts for such fiscal year.

TITLE III—ELIGIBILITY FOR NEHEMIAH HOUSING OPPORTUNITY GRANTS

SEC. 301. ELIGIBILITY OF NEIGHBORHOODS WITH CONTIGUOUS BLOCKS CONTAINING VACANT OR UNIMPROVED LOTS.

Section 606(e)(4) of the Housing and Community Development Act of 1987 (12 U.S.C. 1715l note) is amended—

(1) by striking "on contiguous parcels of land" and inserting the following: "on contiguous areas bounded by roads or streets for which the overall percentage of the lots within such areas that are unimproved or contain houses that are vacant or require substantial rehabilitation or new construction for reasonable habitation is not less than 30 percent"; and

(2) by striking "of continguous parcels of land" and inserting the following: "of contiguous areas

bounded by roads or streets for which the overall percentage of such lots is 30 percent".

SEC. 302. APPLICABILITY.

The amendments made by section 301 shall apply to any grants made under title VI of the Housing and Community Development Act of 1987 (12 U.S.C. 1715l note) after the expiration of the 60-day period beginning on the date of the enactment of this Act.

TITLE IV—GRANTS FOR SECURITY DEPOSIT LOAN FUND DEMONSTRATION PROJECTS

SEC. 401. ESTABLISHMENT OF GRANT PROGRAM.

The Secretary of Health and Human Services may make grants to eligible housing agencies to establish demonstration projects to assist low-income families in paying security deposits for rental housing.

SEC. 402. REQUIREMENTS OF DEMONSTRATION PROJECTS.

Each housing agency that receives a grant under this title shall carry out a demonstration project to make loans to families to provide security deposits for rental housing for the families. The demonstration project shall be designed as follows:

(1) SECURITY DEPOSIT LOAN FUND.—The housing agency shall establish a revolving loan fund for the purpose of making loans for security deposits and, to

the extent that administrative costs do not exceed 25 percent of the amount of the cost of the demonstration project, for administrative costs for the project. The loan fund shall be credited with any grant amounts received under this title and with any funds collected for repayment of security deposit loans under paragraph (4).

(2) ELIGIBLE BORROWERS.—The housing agency shall provide that a security deposit loan may be made only to a low-income family that—

(A) demonstrates a regular income sufficient to indicate that the family is likely to repay the loan;

(B) demonstrates that the loan will be used to secure a particular housing unit the cost of which will be affordable in relation to the regular income of the family; and

(C) agrees to pay not less than 20 percent of—

(i) the security deposit required on the housing unit; and

(ii) any security deposits required for utilities.

(3) FINANCIAL COUNSELING.—The housing agency shall provide counseling regarding household fi-

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nances and budgeting to any family that receives a security deposit loan.

(4) COLLECTION OF FUNDS.—The housing agency shall provide for collecting repayments of security deposit loans.

(5) DURATION.—The housing agency shall carry out the demonstration project over the 3-year period beginning on the date that the agency receives a grant under this title.

(6) EVALUATION AND ANNUAL REPORTS.—The housing agency shall conduct an annual evaluation of the demonstration projects administered by the agency and shall submit to the Secretary, not less than annually, a report which shall include—

(A) information describing and summarizing the operation of the demonstration project during the preceding year;

(B) statistics of the number of loans provided during the preceding year, and the amounts, collection rate, and interest rates of the loans; and

(C) an accounting of the administrative expenses of the demonstration project during the preceding year.

(7) FINAL REPORT.—The housing agency shall submit a final report to the Secretary, not later than

90 days after the expiration of the 3-year period under paragraph (5), which shall include, with respect to the 3-year period, the information required under paragraph (6) and any other information that the Secretary may require.

SEC. 403. APPLICATION AND SELECTION OF GRANT RECIPIENTS.

(a) APPLICATION.—To receive a grant under this title, a housing agency shall submit an application as the Secretary may require, which shall include the following:

(1) CERTIFICATION OF FULFILLMENT OF REQUIREMENTS OF DEMONSTRATION PROJECT.—Certification that the housing agency will fulfill the requirements of section 402.

(2) DESCRIPTION OF PROJECT.—A description of the demonstration project to be carried out with the grant amounts received under this title.

(b) SELECTION.—

(1) IN GENERAL.—The Secretary shall select, from housing agencies that have applied under subsection (a), agencies to receive grants under this title. The Secretary shall make the selections according to the criteria established under paragraph (2).

(2) CRITERIA FOR SELECTION.—The Secretary shall establish criteria for selection of housing agencies to receive grants under this title, which shall include—

(A) criteria to ensure that grants are distributed among agencies throughout the United States and in urban and rural areas;

(B) a preference for agencies that have established programs to assist homeless families; and

(C) criteria that encourage innovative and differing designs and operation of demonstration projects.

(c) TIMING AND PUBLICATION OF NOTICE.—

(1) APPLICATIONS.—The Secretary shall establish a deadline for receiving applications under subsection (a) and shall publish in the Federal Register, not less than 90 days before the deadline, notice of the deadline and the required contents of the applications.

(2) SELECTION.—The Secretary shall select recipients for and award grants under this title not later than 120 days after the deadline for applications established under paragraph (1).

SEC. 404. TECHNICAL ASSISTANCE BY SECRETARY OF HEALTH AND HUMAN SERVICES.

The Secretary shall provide informational and technical assistance to units of general local government and housing agencies in organizing and developing demonstration projects. Assistance under this section shall include maintaining and making available to units of general local government and housing agencies an archives of models and plans for demonstration projects and assistance in accumulating information necessary to submit an application under section 403(a).

SEC. 405. REPORTS.

(a) ANNUAL REPORT.—The Secretary shall submit to the Congress, not less than annually, a report regarding the operation of the demonstration projects and the grant program carried out under this title.

(b) FINAL REPORT.—The Secretary shall submit to the Congress, not later than 4 years after the Secretary selects recipients of grants under section 403(b), a report containing comparative information, with respect to the various demonstration projects, regarding the costs of the projects (including administrative costs), the number of households receiving security deposit loans, the interest rates and collection and default rates for the loans, and factors associated with the relatively more effective and successful projects and an anal-

ysis of the efficacy of security deposit loan programs in comparison with providing grant assistance for security deposits.

SEC. 406. DEFINITIONS.

For purposes of this title:

(1) DEMONSTRATION PROJECT.—The term "demonstration project" means a project to provide security deposit loans carried out by a housing agency that receives a grant under this title.

(2) HOUSING AGENCY.—The term "housing agency" means any nonprofit organization or State or local agency that—

(A) is involved in programs or projects to provide temporary or permanent housing for homeless families or individuals; or

(B) receives assistance from grant funds for community development authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(3) LOW-INCOME FAMILIES.—The term "low-income families" means families and individuals whose incomes do not exceed 80 percent of the median income for the area involved, as determined by the Secretary with adjustments for smaller and larger families.

(4) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(5) SECURITY DEPOSIT.—The term "security deposit" means any deposit required of a lessee of a residential housing unit by the lessor of the unit that is refundable upon the termination of the occupancy of the unit by the lessee.

(6) SECURITY DEPOSIT LOAN.—The term "security deposit loan" means any loan to provide assistance with a security deposit made under a demonstration program under this title.

SEC. 407. REGULATIONS.

The Secretary may issue any regulations necessary to carry out this title.

SEC. 408. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out this title.

TITLE V—ELIGIBILITY FOR ENTERPRISE ZONE DESIGNATION

SEC. 501. EXPANSION OF ENTERPRISE ZONE ELIGIBILITY.

(a) IN GENERAL.—Section 701(c)(3) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(c)(3)) is amended—

(1) in subparagraph (B), by inserting "and" after the semicolon at the end;

(2) by striking subparagraphs (C) through (E) and inserting the following:

"(C) the area meets at least one of the following criteria:

"(i) The area has an unemployment rate, as determined by the appropriate available data, of not less than 1.5 times the national rate for that period.

"(ii) The average poverty rate (as determined by the most recent census data available) for populous census tracts (or where not tracted, the equivalent county division as defined by the Bureau of the Census for the purpose of defining poverty areas) within the area was not less than 20 percent for the period to which such data relate.

"(iii) Not less than 70 percent of the households living in the area have incomes ~~below 80~~ percent of the median income of households of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

"(iv) The population of the area decreased by 20 percent or more between 1970

and 1980 (as determined from the most recent census available).

"(v) The State and local government in which the area is located have complied (to the extent required by the Secretary) with a list of actions designed to reduce the various burdens borne by employers or employees in such area, which shall be promulgated by the Secretary and shall include the actions under subparagraphs (A) through (F) of subsection (d)(2).".

(b) REMOVAL OF MANDATORY DESIGNATIONS.—Section 701(a) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(a)) is amended by striking paragraph (3).

(c) CONFORMING AMENDMENT.—Section 701(c) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(c)) is amended by striking paragraph (4).

SEC. 502. DESIGNATION OF ENTERPRISE ZONES.

The Secretary shall carry out the designation of enterprise zones under title VII of the Housing and Community Development Act of 1987 (42 U.S.C. 11501 et seq.), except as follows:

(1) PUBLICATION OF REGULATIONS.—Notwithstanding section 701(a)(4)(A) of the Housing and Com-

munity Development Act of 1987 (42 U.S.C. 11501(a)(4)(A)), before designating any area as an enterprise zone, the Secretary shall prescribe by regulation not later than 4 months after the date of the enactment of this Act, after consultation with the officials described in section 701(a)(1)(B) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(a)(1)(B)), the manner in which areas nominated for designation as an enterprise zone will be evaluated based on the criteria specified in section 701(d) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(d)), with respect to the amendments made by this title.

(2) TIME LIMITATIONS.—If the expiration of the 120-day period beginning on the effective date of the regulations described in paragraph (1) will occur after the expiration of the 24-month period under such section 701(a)(4)(B) of the Housing and Community Development Act of 1987 (42 U.S.C. 11501(a)(4)(B)), then, notwithstanding section 701(a)(4)(B) of such Act, the Secretary shall designate nominated areas as enterprise zones only during such 120-day period.

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101st Congress

United States House of Representatives
Committee on Small Business

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HEARING STATEMENT

MAKING NEIGHBORHOODS LIVABLE AGAIN:
NEW OPPORTUNITIES FOR FAMILIES AND
SM LL BUSINESSES

REP. RON WYDEN, CHAIRMAN
SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY
AUGUST 9, 1989
PORTLAND, OREGON

Today, the Subcommittee on Regulation, Business Opportunities and Energy convenes to examine the concerns and possibilities for Oregon neighborhoods. This hearing will help build the record for the Community Housing Investment Partnership Act, legislation which I have introduced to rehabilitate these neighborhoods so low-income families can achieve the dream of home ownership.

It's clear that a major housing package will be acted upon during this session of Congress. The record we build today will help to ensure that this legislation to address Portland's housing needs is included in that package.

The Community Housing Investment Partnership Act would establish a national strategy to rebuild neighborhoods around the country as well as make the federal government a better partner in local rehabilitation efforts here in Portland.

The first section of the bill will provide much-needed funds to rehabilitate the 2,700 houses that the Portland Water Bureau has deemed to be abandoned. This section will replace funds for low-interest housing rehabilitation loans, expand eligibility for federal Nehemiah neighborhood grants, and establish federally-supported community-based "sweat equity" programs.

Low-interest Section 312 loans were once widely used in Portland to rehabilitate commercial and low-cost housing. Last year, $200 million from this successful program was removed in order to appropriate money for a space station.

Nehemiah grants are given to cities to rehabilitate neighborhoods in severe decline. But this program is not available to Portland because the eligibility standards narrowly dictate that only neighborhoods consisting of entire blocks of abandoned properties are qualified. Portland has neighborhoods that need this

help, but are disqualified because the abandoned houses are intermingled with occupied homes.

Sweat equity programs will help people who cannot afford homes to use their skills and labor instead of cash. This way, vacant and abandoned properties will be made available to low-income families, and they will receive training in basic home maintenance and repair. Additional help in getting tools and materials or in tackling complicated repair jobs would be also given.

My legislation will also establish new Security Deposit Loan Funds. There are a variety of loan funds for home buyers, but renters need a loan fund too. Many people become homeless or stay homeless simply because they don't have the money to pay the large deposit fees required to get an apartment. Zero or low-interest Security Deposit Loan Funds would be made available through local non-profit agencies to help renters who can afford the monthly rent, but can't raise large amounts of cash for deposits.

Finally, the Community Housing Investment Partnership Act will ease the eligibility criteria for designation of federal enterprise zones. Enterprise Zones provide incentives for businesses to locate in targeted economically depressed areas. These businesses can bring jobs, good and services into poor neighborhoods. The requirements for eligibility need to be updated so Portland can better compete for this valuable designation.

Finding a decent place to live should not be like trying to win the lottery, but for too many families that's the name of the game. Across Oregon and the rest of the nation, families of modest incomes have all but given up hope of owning their own homes, and even the possibility finding affordable rental housing is a matter of chance.

It simply doesn't make sense that abandoned properties aren't used for families who are crowded into substandard rental housing, who are paying more rent than they can afford, who are doubling up with relatives, living in transitional shelters or out of their cars under the Morrison Bridge.

Transforming vacant houses into homes for families will also yield positive results for our neighborhoods and our cities. The new home owners will be members of the neighborhood, with a vested interest in the quality of life in the community. Instead of crackhouses swarming with pipeheads, we'll have playgrounds for children. Businesses can prosper because the new home owners will need goods and services.

Too often, a walk in one of our neighborhoods makes this scenario may seem like a dream that will never happen. But we cannot afford to give in to our doubts. These neighborhoods can be thriving areas of families and businesses and neighbors who care about their community and each other. The key is cooperation, elbow-grease, and a federal government that's a more helpful partner.

The Subcommittee will take the testimony of expert witnesses who are on the frontline in the push for revitalized neighborhoods and rehabilitated housing. We'll also be hearing from two witnesses who, as heads of families in need of housing, have an even bigger stake in this effort.

Our the first panelists are Commissioners Dick Bogle and Gretchen Kafoury, who have taken an active interest in housing improvement. I welcome the Commissioners and all of our witnesses today.

CITY OF
PORTLAND, OREGON
DEPARTMENT OF PUBLIC SAFETY

Dick Bogle, Commissioner
1220 S.W. Fifth Avenue
Portland, Oregon 97204
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HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES AND ENERGY

PORTLAND HEARING - AUGUST 9, 1989, 9:00 A.M.

TESTIMONY OF CITY COMMISSIONER DICK BOGLE

Congressman Wyden, ladies and gentlemen, good morning, and thank you for inviting me to testify today on how the City of Portland is rising to meet the challenges of neighborhood revitalization and affordable housing.

I know I speak for Mayor Clark and others on the City Council in saying these concerns are among our top priorities.

They are concerns that I am addressing personally, not only in my role as Commissioner of Public Safety, but as someone who grew up in Portland, and cares about the city's future.

I want to see livability restored to some fine old neighborhoods that were allowed to deteriorate, and then allowed to fall under the control of drug-dealing gangs.

I want to see decent, affordable housing made available to every individual, and every family, choosing Portland as a home.

I want to see educational opportunities for all, and decent jobs

--jobs that pay a living wage, and open doors for advancement.

I want to see our streets and neighborhoods made safe again.

All of these elements are critical to neighborhood revitalization --because without education, employment opportunities, and an atmosphere of peace and hope, the incentives to improve and maintain property are weak, at best.

These are the goals, and here are a few steps the city is taking to achieve them.

Last year, I created the Abandoned Buildings Task Force, a panel of knowledgeable citizens charged with recommending ways and means of returning abandoned structures to productive use, including restoration as low-income housing.

The group later joined forces with the Mayor's Homestead Committee, adding the technical expertise of bureau and other public employees.

The combined task force represented a wide variety of interests and organizations, including the Portland Development Commission,

Housing Authority of Portland, Oregon Housing Agency, Northeast Community Development Corporation, Oregon Savings and Loan League, Office of Neighborhood Associations, and others.

What resulted was the first comprehensive survey of abandoned buildings in the city, and a long list of excellent, workable recommendations.

The panel's list of solutions forms the cornerstone of the Mayor's Neighborhood Revitalization Strategy.

This strategy, which the City Council enthusiastically embraced, creates a model partnership between public agencies, private groups and citizens, with the aim of pooling all available resources to help solve neighborhood problems.

Through the Neighborhood Revitalization Management Panel, citizens are working with the city, county, housing authority, school district, chamber of commerce and United Way, in a collaborative effort to ensure high standards of livability for all Portland neighborhoods.

The city welcomes the federal sector as a partner in this work, and applauds the Oregon Congressional delegation for seeking to make resources available.

We are especially pleased with Congressman Wyden's efforts to make sure that federal programs are flexible enough to meet Portland's needs--specifically, his amendments to the Housing and Community Development Act of 1987.

One is a proposed technical amendment to the Nehemiah Housing Opportunities Program.

The original legislation makes this tool workable only in communities where a deteriorating housing stock, combined with a stagnant economy, has forced wholesale abandonment of homes.

Even though the task force found approximately 2,700 abandoned housing units in the City of Portland, those units were scattered throughout our neighborhoods.

This scattering may reduce the appearance of stress on a given city block, but it actually makes a far larger area vulnerable to decay.

We have a desperate need for the resources offered under the Nehemiah Program--and we need those dollars for prevention, as well as renovation.

In other words, we want to stop the spread of blight before neighborhoods are totally devastated.

You will be pleased to learn that just last week, the City Council agreed to a package of fee waivers requested by the Northeast Community Development Corporation.

NECDC, as you may know, is a not-for-profit private agency formed to rehabilitate properties in Northeast Portland, and to provide skilled job training for area residents.

The city's fee waivers will cut the cost of the 250 new and remodeled homes in the corporation's $4 million Nehemiah grant proposal by some $200,000.

I had instructed the Bureau of Buildings to research ways in which the city could support the project. The fee waivers were incorporated in last week's resolution supporting the grant application.

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And here, I'd like to salute Commissioner Mike Lindberg. He came through with an amendment that added water and sewer hook-up fees to the list of waivers.

The City of Portland is serious, to the tune of $200,000. We want the Nehemiah grant.

Incidentally, the $200,000 will come from the city's general fund and the Bureau of Community Development. We will not increase fees across the board to cover these waivers.

Congressman Wyden also has proposed amendments which would qualify Portland under Federal Enterprise Zone legislation.

Designation as a Federal Enterprise Zone, as well as a State Enterprise Zone, would greatly enhance current economic development activities.

On behalf of the City Council, I'd like to thank you, Congressman Wyden, both for recognizing that Portland would be ineligible, and for taking the initiative to turn the situation around.

As commissioner-in-charge of the Bureau of Buildings, I am overseeing a local initiative which should, if adopted, put the squeeze on owners of abandoned structures.

The bureau is working with the Portland Housing Coalition, a group representing every facet of the housing industry, on a city-wide Abandoned Buildings Registration Program.

Under this program, owners would be required to register their abandoned properties with the city, and pay an appropriate fee.

They also would be required to maintain the property, and declare their intent to rehabilitate the structure by a certain date.

Failure to comply could cause the property to go into receivership, with the Northeast Community Development Corporation, or the Portland Development Commission, as possible receivers.

The City lobbied in the 1989 legislative session in Salem for the bill that authorizes receivership of abandoned property. We also worked for passage of legislation that would allocate

state lottery funds for revitalization assistance to cities. It passed ... but with no dollar amount attached. We will have to wait for Emergency Board action to see what impact this measure will have in Portland.

The Bureau of Buildings is taking other steps to assist with neighborhood revitalization.

Right now, we are working with the Oregon Air National Guard on a neighborhood clean-up plan. In addition to personnel, the Guard would provide tow trucks for abandoned vehicles, and dump trucks for trash.

We are hopeful that Metro will get behind the plan by waiving its dumping fees, as well as other fees associated with neighborhood revitalization.

The City Council also has transferred funds to the Energy Office for continuation of another program which helps the overall effort. I'm referring to the city's Block-By-Block Weatherization Program, which helps low-income citizens weatherize their homes, drawing on workers from the federally funded Youth Conservation Corps.

The steps I have outlined are pieces of a large and complex puzzle. Each step, no matter how small, leads us closer to the goal of clean, safe neighborhoods for every citizen.

The Nehemiah grant would represent a giant step--one I hope and pray we are privileged to take.

Regardless, we are seeing the people of Portland pull together, perhaps as never before, on the issues that combine to create livability--jobs, housing, public safety, and the rest.

I am confident that by pooling our resources--local, state and federal--we can make the dream of neighborhood revitalization a reality.

Congressman Wyden, thank you again for this opportunity to share these thoughts with your committee. I would be happy to answer any questions.

# # # # #

AUGUST 9, 1989

OUTLINE OF REMARKS BY:

SAMUEL C. GALBREATH, DIRECTOR OF HOUSING
PORTLAND DEVELOPMENT COMMISSION

TO: THE SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITY AND ENERGY OF THE COMMITTEE ON BUSINESSES

I. Introduction

II. Context of my remarks:

- PDC is the City's Urban Renewal Agency.
- Involvement in Northeast Revitalization extends from the 1960's.
- Over 10,000 loans to single family property owners, plus variety of assistance through economic development programs to over 70 businesses which have created 500 new jobs and retained 800 more.
- In early years, had principal program responsibility.
- In most recent years, have been part of a partnership with other City agencies and community groups.

III. Your requested topics:

- The status of affordable housing and neighborhood quality.
- The role of the Development Commission in the City's Neighborhood Revitalization effort.
- How the private sector and federal government can be more effective partners.
- Specific comments on Community Housing Investment Partnership Act (CHIPS).

IV. Status of Affordable Housing:

- Is a critical community need:
  - 1200-2400 homeless individuals and families.
  - 2000 vacant houses citywide.
  - 3600 privately owned federally assisted housing units with expiring federal rent assistance contracts.
  - 1600 vacant or substandard housing (or 1/4 of the 6400 total) units in 6 Northeast neighborhoods most severely impacted by vacant housing.
- The City's goal is to address this need over the next five years through the neighborhood revitalization program:
  - Housing must be affordable by persons living in the area.
  - $45 million total funds would be required.
  - $30 million could be privately funded, tax exempt rate.
  - $15 million in gap financing to achieve affordability would also be needed.
  - Sources for these funds include CDBG, private foundations, the Nehemiah Housing Opportunities Grant, Federal Homestead programs, etc.

V. The role of PDC in the City's Neighborhood Revitalization effort:

- To increase employment opportunities through:
  - Business attraction such as the Convention Center and the Columbia South Shore Projects.
  - Business retention; multi-faceted assistance identified through annual small business survey
  - Job Net: Job training agencies and community organizations to expand existing and attract new employment.

- Improve and increase low and moderate income housing:
  - As a lender (community development bank) which aggregates a variety of fund sources to re-lend for homeownership, nonprofits and responsible investors.
  - As a developer through the Downtown Housing Preservation Program and Portland Homestead Programs.
  - As a helper through our technical assistance programs in which we attempt to increase client capacity to carry out the community's housing goals.

VI. Role of Private Sector:

- They are indispensable partners:
  - All of our programs involve multiple resources.
  - Job Net is a prime example.
  - Another example is our recent Private Lender Participation Agreement with Security Pacific Bank of Oregon which is providing $4.75 million in favorably priced private funds to help leverage diminishing block grant funds.

VII. Comments on the Community Housing Partnership Act (Chips) proposal:

- Section 312 Rehabilitation grants: CHIP's proposal would preserve a valuable federal resource which has been effectively used in Portland:
  - $6 million has been combined with other public and private financing to assist 542 units over the last 10 years.
  - 60 families have been assisted with $1.5 million in the last 5 years.
  - This self perpetuating program is efficient and effective in carrying out our community development goals.

Nehemiah Grants:

- Rewrite of regulations were responsive to Portland concerns.
- Some aspects of compliance with program intent left to the discretion of the Secretary of the Department of Housing and Urban Development.
- Specific Language proposed in the CHIP bill would remove any doubt as to Portland's ability to qualify substantial portions of Northeast for Nehemiah assistance.

VIII. CONCLUSION:

STATEMENT OF RICHARD BRINCK, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES AND ENERGY

AUGUST 9, 1989

Thank you Chairman Wyden and members of the Subcommittee. The Department of Housing and Urban Development appreciates your invitation to discuss the challenges of neighborhood revitalization and the need to create additional housing and homeownership opportunities for low-income families.

We believe it is important that hearings on the subjects of housing opportunity and economic development be held in communities throughout the nation, because we believe that the development of strategies to meet the goals of neighborhood improvement and revitalization cannot be driven solely by Washington policy.

The Department of Housing and Urban Development recognizes that Washington has a critical role to play in this process, but success ultimately depends on the ability of all levels of government, nonprofit groups, individuals and the private sector to work in partnership. That would be true whether or not we faced significant budgetary constraints at the Federal level.

HUD under the leadership of Secretary Kemp looks forward to working with you to resolve our nation's housing and community

development challenges.

Together with President George Bush, Secretary Kemp has laid out six priorities for HUD:

-- a commitment to help end homelessness, particularly for families with children;

-- economic development through Enterprise Zones to encourage entrepreneurship and job creation in distressed inner cities and rural areas;

-- maintaining the supply and availability of low-income housing and recapturing the American dream of home-ownership by making housing more affordable for first-time homebuyers;

-- empowering the poor to control their own lives through initiatives such as resident management and ownership of public housing;

-- promoting a drug-free America, particularly in HUD supported housing; and

-- fully enforcing the new Fair Housing Law, by providing the needed resources for timely and effective investigations and resolutions of all fair housing complaints.

These are all long term and interrelated goals. To meet them requires that we develop a consensus and energize all the available resources -- public and private, profit and nonprofit -- at our command in order to achieve our common purpose.

A number of these objectives, and one of them in particular,

have a direct bearing on the subject of this hearing today.

First, making housing more affordable and increasing opportunities for homeownership. HUD is committed to finding ways to improve FHA to better serve first-time homebuyers. But beyond the traditional market of homebuyers, there are lower income families pursuing the dream of homeownership. In that connection, the Administration has proposed a special $44 million fund in the Community Development Block Grants program to support innovative approaches to homeownership for lower income families.

While it is essential to make housing more affordable to homebuyers, it is equally important to make rental housing affordable and available to those families who need rental housing. We are firm believers in the Housing Voucher program because it provides portability and freedom of choice to low income renters. But, Secretary Kemp has also expressed his belief that the tax code should be used for beneficial purposes, and to induce the private sector to invest in low-income housing. HUD has testified before Congress in support of an extension of the Low Income Housing Tax Credit, and there may be other tools that the tax code can provide to assist in the development of further housing opportunities.

We have pledged to increase the number of families we assist. But in addition to that, we must also deal with situations affected by prepayments, property sales or other activities which may contribute to displacement. This is an issue of major concern to HUD, and we will not permit any

currently low-income family to become homeless because of these activities.

It is critical that Congress and HUD work together to address this problem, but it is equally important for us to seek the advice of the residents who will be affected by prepayments and opt-outs. We have to look at individual projects to know whether opportunities exist for resident management or homeownership, or simply to know where vouchers might be the best solution.

Let me add one further issue to this discussion of homeownership opportunity, the Nehemiah Housing Opportunity Grant Program. The 1987 Housing and Community Development Act established the Nehemiah program to encourage neighborhood revitalization by providing grants to local nonprofit groups for the purpose of making loans to families purchasing homes in distressed communities. Secretary Kemp considers the Nehemiah program to be a promising opportunity for public/private partnership, and he prevailed upon the Bush Administration to withdraw the proposed rescission of 1989 funds for the program.

Mr. Chairman, you have raised the concern that the statute is inflexible, in that it limits eligibility to contiguous lots. HUD has responded to this concern in its final regulations for the program published May 22 of this year. The regulations allow the word "contiguous" to in some instances mean "closely located". This would permit the eligibility of Nehemiah programs in neighborhoods where there are still a number of existing

viable dwellings which do not require rehabilitation.

A second objective of HUD is to empower the poor to take control of their communities and begin to build a future for themselves and their children through homesteading and resident management. In a number of communities around the nation, experience has shown how resident management and ownership can redirect an entire community's future. Every resident of public housing has the same hopes and dreams for their future and their children's future that we have for ours. Congress and local communities can work together in partnership to facilitate resident management and homeownership around the nation.

I want to touch briefly on a third priority, and that is making our housing drug free. At this point, nothing rates higher on HUD's agenda, and there are few issues on which partnership is more critical. No one entity can solve this problem by itself. President Bush has said "There are few clear areas in which we as a society must rise up and express our intolerance," and he has called for us to "let this be recorded as the time when America rose up and said 'No' to drugs."

HUD has begun to take a series of actions to get drugs out of public housing as well as assisted housing, and we are actively encouraging the work of organizations that share our conviction that the most durable solutions grow upward from the community, rather than being imposed from the top down. And we certainly believe that no discussion of neighborhood revitalization would be completed without a discussion of the

tragic drug problem.

A fourth HUD priority and Mr. Chairman one which is certainly pertinent to your examination of neighborhood revitalization is job creation and economic development. Enterprise zones, the cornerstone of our economic development strategy, remove barriers to investment and entrepreneurship in our distressed inner cities and unleash the power of free enterprise.

Enterprise zones are a full-scale assaults on poverty and despair in our cities and rural communities. By providing meaningful tax incentives to entrepreneurs and the individuals who invest in their ideas, enterprise zones will turn redlined inner cities and rural areas into income producing and revenue producing greenlined areas.

Since 1982, 39 states, including Oregon, have enacted enterprise zone legislation. These state zones are demonstrating substantial success, despite the fact that they cannot offer the same types of incentives the Federal government can offer. Surveys show that state zones have created over 184,000 new jobs, retained nearly 169,000 jobs, and promoted more than $18 billion in new investment.

The State of Oregon has had a generally good experience with its State Enterprise Zone program. Thirty zones have been designated and the State has reported to HUD that over 1,200 jobs have been created in the zones and over $113 million of private investment has occurred. Here in Portland, the Mayor has a

Neighborhood Revitalization Panel which is exploring the potential for enterprise zones.

Several Oregon communities including Portland have applied for Federal Enterprise Zone designation. Secretary Kemp has put all pending applications on hold while we work toward achieving Federal legislation with meaningful Federal tax incentives. Once enacted, Federal incentives, added to state and local incentives, will provide powerful assistance for the revitalization of our communities.

The Administration and Congress are considering a number of tax incentives and regulatory relief efforts which will remove existing barriers to small business and job creation. One change being sought by Secretary Kemp is the elimination of the capital gains tax on investments in enterprise zones. By allowing entrepreneurs to receive 100 percent of the benefits from the sale of their company, the capital gains tax cut will encourage small business entrepreneurs to take risks, start companies, and expand.

Legislation introduced in the House of Representatives, H.R. 6, contains many of the incentives supported by Secretary Kemp, including an upfront tax deduction for the first $100,000 equity investment in Enterprise Zone businesses, employment-based tax incentives to help draw welfare recipients off the welfare rolls and into the productive workforce.

Secretary Kemp has also expressed his support for providing a preference in the Enterprise Zone designation process to states

and localities that offer relief for land use regulations, zoning laws and building codes and rent control.

Mr. Chairman, I am aware that you have introduced legislation concerning eligibility criteria for Federal designation. The Secretary has stated his strong desire to ensure a competitive process for Enterprise Zone selection. In this process, states and localities which offered the strongest package of incentives would receive preferential selection for zone eligibility.

With the proper set of economic incentives, Enterprise Zones can help 'percolate' a whole new generation of small business entrepreneurs and community leaders, set in motion a process of self-improvement and job-generation, but most of all restore hope for progress in America's future. The flip side to providing a social safety net under which no one will fall is to provide an opportunity ladder upon which all may climb to jobs, upward mobility and good education. That is the reason why Secretary Kemp places such strong emphasis on the enactment of an Enterprise Zone bill with serve to both build on current successes in the states and to serve as a catalyst for other state, local and private sector efforts to restore urban vitality and economic buoyancy.

Mr. Chairman, thank you for the opportunity to participate in this worthwhile hearing. Secretary Kemp has said that just as America has been blessed, it has an obligation to be a blessing to those less fortunate. HUD is ready to work with you and with

those in our local communities to meet the long term challenges of housing and economic development.

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Oregon Housing Agency

1600 STATE STREET, SUITE 100, SALEM, OREGON 97310-0161 PHONE (503) 378-4343

Testimony to: Subcommittee on Regulation, Business Opportunities, and Energy of the Committee on Small Business, United States House of Representatives

Presented by: Lynn Schoessler, Housing Resource Specialist
Oregon Housing Agency

Members of the Committee:

I am pleased to be invited to provide the subcommittee information on the programs of the Oregon Housing Agency. The Agency is the state's housing finance agency. Toward achieving its purpose of increasing housing opportunities for lower-income Oregonians, our major agency emphasis is to provide, through the issuance of tax-exempt bonds, mortgage financing for single-family homeownership, multi-family rental housing, and congregate care and group care homes for elderly and disabled persons. More recently the Agency has also established programs to distribute federal Low-Income Housing Tax Credits and Mortgage Credit Certificates.

The Agency is self-supporting; the Agency receives no state General Funds and relies entirely on the revenue of its bond sales to meet operational expenses. Our ability to intervene in the state's housing problems is thereby limited by the bond program revenue and since the 1986 tax law changes, our income is very restricted.

Our programs as utilized in Portland have provided single family homeownership financing, most recently at an 8.33% interest rate. Last Friday the Agency and its policy board, the State Housing Council, agreed to reserve $ 8 million of financing for Northeast Portland homeownership opportunities if Portland is successful in its application for Nehemiah funds. This commitment is critical for the success of the program because of the advantageous tax exempt bond financing interest rate. The prospective owners will save $45 per month on the principal and interest payment over conventional financing on a 30 year, $30,000 mortgage.

An additional commitment our Agency has made to HUD is to reserve Mortgage Credit Certificates for the Joint Venture for Affordable Housing program.

The consideration I want to emphasize is tax exempt bonds financing by its self for new construction only provides rents affordable to families with incomes in the 65-80% of median income range. The Housing Agency, as well as those here today, are concerned with the very limited resources available to address providing units with affordable rents to families with incomes from 50% of median down to zero income. This is the area the federal government has been the historic key provider of assistance and we look forward to restored levels of funding to support these families in desperate need of assistance.

Toward achieving continued federal support for low income housing, I encourage you to support passage of extending authorization for Mortgage Revenue Bonds (HR 1200) and Low Income Housing Tax Credits (HR 2319). These programs are scheduled to sunset December 21, 1989.

I recognize the Administration has been committed to work with private enterprise for use of Section 8 Certificates and Vouchers, but the loss of federal resources over the years has led to some critical problems which create the need to stretch those federal dollars as far as possible. One way is to reconsider the eligible application of the available, existing Vouchers and Certificates. Certificates and Vouchers are provided to Housing Authorities by number, e.g., 25 Certificates, but there is also a dollar amount limitation identified in the contract between the Authority and HUD. For certain tax exempt bond financed, property tax exempt units, as might be developed by a neighborhood community development corporation, the dollar value of one certificate could subsidize two families' units, thereby doubling the effect of the federal dollar.

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SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY

COMMUNITY HOUSING INVESTMENT PARTNERSHIP ACT

HOUSING AUTHORITY OF PORTLAND

AUGUST 12, 1989

STATEMENT OF DONALD CLARK, EXECUTIVE DIRECTOR

Mr. Chairman, I am Donald Clark, Executive Director of the Housing Authority of Portland. I appreciate this opportunity to comment on the proposed housing programs that I believe could serve low income people throughout the nation. Although the programs vary significantly in size and scope, each has its genesis in a public/private relationship.

The Housing Authority's current efforts will be enhanced and complemented by the proposals in the Community Housing Investment Partnership Act. As our long waiting lists indicate, there is a great demand for arfordable housing in Portland. This is especially true for low income individuals who do not fit the family criteria for subsidy programs. Our research indicates that approximately 8,900* single persons in Multnomah County, primarily in downtown Portland, were homeless in 1988-89.

HAP recently helped create a new public/private partnership to

* The total number of homeless people in Multnomah County between July 1, 1988 and June 30, 1989 is estimated to be 17,000.

meet the needs of this population. It is known as the Downtown Housing Preservation Partnership and combines the expertise and resources of the Portland Development Commission, the Central City Concern, the Portland Chamber of Commerce, and the Housing Authority. The partnership goal is to eliminate mass shelters and develop 500 more units of low income housing in the downtown area within the next two years. This represents a significant step toward HAP's goal of housing Portland's homeless by 1991. In order to accomplish this ambitious goal, we must create a continuum of housing that includes emergency housing, transitional housing, and permanent housing.

As a part of that continuum, HAP is also kicking off its Homeownership Opportunities Program (HOPE). The Housing Authority has many residents who are renters on paper, but homeowners at heart. They show pride in their public housing units and earn enough to support a housing payment, but the stumbling block to homeownership is the downpayment for a property. Mr. Chairman, the Housing Authority of Portland is committed to helping families overcome these stumbling blocks.

At HAP's Beech Street Development and through a new partnership with the Northeast Community Development Corporation, would-be homeowners enter into a rental arrangement that builds a downpayment fund, while the renter is receiving training on financial planning and home maintenance. Vacant and for sale

houses owned by the Department of Housing and Urban Development may also be used in this effort. The bottom line of these projects is to turn low income renters into homeowners.

A Sweat Equity Program, as proposed in the CHIP Bill, would provide additional opportunities for homeownership for low income families. In this case, the downpayment would be made by their own labor, rather than with cash. They would be relying on their own effort and skills to attain what had once been an impossible goal.

HAP also supports the concept of a local community development corporation sponsoring the family's purchase and channeling the Sweat Equity Program back into the community. By exchanging a downpayment for sweat equity, such community service could be in the form of the family working on community weatherization projects, neighborhood clean-ups, day care, or similar community activities. This type of an effort would give the sponsored family an investment not only in the newly purchased home, but in their neighborhood and its future.

Another catalyst for increasing economic development and housing opportunities is Portland's Neighborhood Revitalization effort. In pursuit of the Neighborhood Revitalization agenda, the Housing Authority and our partners at HUD are currently seeking to buy 60 vacant or abandoned houses and rehabilitate them for

low income families.

Public and private partners in Portland are also pursuing other HUD funds through the Nehemiah Housing Opportunities program. If we are successful in this effort, much of our Neighborhood Revitalization agenda for contiguous areas in Northeast Portland can be achieved. This project would have a highly visible impact on those troubled neighborhoods. It is our understanding that the Northeast Community Development Corporation plans to include a sweat equity option in its Nehemiah application.

Mr. Chairman, the Housing Authority of Portland fully supports the CHIP's efforts to increase the opportunities for low income families. Programs such as these are symbols of change, and change is greatly needed if we are to address the problems of homelessness and inner city decay in America's urban centers.

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TESTIMONY FOR

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES & ENERGY

William D. Biornstad
Senior Vice President

THE BENJ. FRANKLIN FEDERAL SAVINGS AND LOAN ASSOCIATION

As a representative of The Benj. Franklin Federal Savings and Loan Association we are pleased to have been invited to address this group on the issues of neighborhood revitalization, renovation of abandoned properties and creating more opportunities for home ownership among low income families. As a major force in the single family market with 87% of its total portfolio in single family residence loans, The Benj. Franklin has a vested interest in supporting the identification and resolution of problems threatening the vitality of our neighborhoods, and the viability of programs designed to provide maximum home occupancy. As a native of Portland and a resident of a N.E. neighborhood, I have a personal interest in the stabilization and revitalization of our community.

As a company, we have contributed our resources, time, and talent to local, state and national initiatives and studies in an effort to serve as a constructive force in dealing with the challenges facing our neighborhoods. Our commitments to housing and to assisting individuals in the pursuit of their dream of home ownership will continue to be the mainstay of our efforts. Napolean Bonaparte once said "A leader is a dealer in hope", and as a leader in the home market in our region we will continue to be committed to the hope and dream of adequate housing for those in our market area.

The initiatives contained in the Community Housing Investment Partnership Act (CHIP) recently introduced in Congress can be a useful tool for segments of the market that would otherwise be unable to realize home ownership through other, more conventional vehicles. It is gratifying to see that some of the specific recommendations contained in the report of the Mayor's Homestead Task Force relating to Legislative efforts, such as the Neamihah Housing Program, the reauthorization of relevant Federal programs, are addressed in the proposed legislation. As outlined in the Task Force's recommendation, additional work remains to be done on the Federal funding for the Urban Homestead Program, and amendments to the Federal Urban Housing Program to allow cities to acquire housing stock, etc. Additionally, increased emphasis and support is needed to deal with the destabilizing effects of crime and to promote economic development.

Portland has made great strides as a community, towards identifying the problem through vehicles such as the Mayors Homestead Task Force, the King Neighborhood Association Revitalization Plan, and the Ten Year North/Northeast Portland Comeback Plan, to name a few. We must now unify our efforts in the public and private sector, here in our own

backyard, to creatively develop specific solutions and initiatives to revitalize and renovate our neighborhoods. We, as a company, as an example, have piloted a test program involving the donation of abandoned property to a private, non-profit organization, Habitat for Humanity, that has resulted in placing families in rehabilitated units through a sweat equity and donated labor and materials. This initiative focused on the talents and opportunities of two diverse organizations that resulted in a viable test. Housing that otherwise could have remained under-utilized was returned to productive use. This type of unilateral initiative however will not, in and of itself, resolve the massiveness of the problem.

The community has the people, the talent, the commitment and the ability to ensure that we maintain the livability of the City of Roses. The Benj. Franklin remains committed to supporting constructive initiatives aimed at improving the livability of our cities.

Thank you.

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Of Our Forty-second Year
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Subcommittee on Regulation, Business
Opportunities, and Energy
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Many of the problems of sub-standard and poorly maintained housing and neighborhoods will be solved by increasing the percentage of homeowners who live in the neighborhood. We can help that to happen by providing a subsidy program which will provide low interest loans and a low downpayment schedule. This is the bottom line.

Branches of this program must include a method to determine neighborhood need, to set standards, and to provide for on-going neighborhood support. Programs which offer affiliated services must be considered to provide a cohesive network of support rather than a collection of miscellaneous projects. The careful selection of neighborhoods will be must important. The area developed should be a contiguous group of blocks, an area where the impact will be visable and real. We have the opportunity to make some concrete change occur, to turn some Portland neighborhoods toward healthy growth.

We need a program to reclaim and remodel viable vacant houses, and occupy them with a large percentage of homeowners. The houses should not only be repaired to meet the minimum standards, but should include some extra requirements such as landscaping, fencing, exterior lighting, and off-street parking. Vacant houses which cannot be rehabiliated should be torn down. A related program might be developed for construction of new homes on these sites, with care taken to establish design and construction standards which match the neighborhood improvements and not simply the basic codes. Where homes to be rehabiliated are good sized enough to be occupied by large families, extras should include second bathrooms, laundry facilities, easy to maintain floors, and other features which make a house servicable for a number of people. We must make the best use of each property.

RESIDENTIAL COMMERCIAL
CERTIFIED DESIGN AND REMODELING SERVICES
KITCHENS
BATHS
ADDITIONS
SIDING
SINCE 1947, THE REMODELER FRIENDS RECOMMEND
DECKS
WINDOWS
FLOORCOVERINGS
RESTORATION
NKBA
OREGON MARK
HBA

We must offer a subsidized program for homeowners to remodel and upgrade their properties. The standards must allow for more than just meeting the basic building and housing codes. Again, features such as fencing and landscaping, street and exterior lighting, and off-street parking greatly assist in upgrading a neighborhood.

We live in a city where the public school system is of high quality, where the programs exist to deal with neighborhood policing and other community service needs. We can design a subsidy program which will tie into the existing community strengths and make the most of the substantial work which has already been done. One way of doing this would be to use a model such as the Rotary International "Village Corps" system, which has worked very effectively in third world countries. By identifying the existing neighborhood and community leaders, and providing a concrete program of support and back-up to those leaders, the whole neighborhood benefits. These leaders are given the information and support they need in order for them to assist and encourage their neighbors in changing the community.

Neighborhood leaders and small block groups of neighbors might work with the City Bureau of Buildings on problems specific to that block. Another group might be working with Zoning to assist in restructuring an area. I would see this program as similar to the system used in community policing now. Neighborhood programs might be developed to provide on-going support to homeowners such as classes in home maintenance, a tool-loaning library, regular neighborhood clean-up days, etc. These programs, and many others, might come out of the neighborhood group process.

Professionals must also plan a part in the program. A panel could be established for each neighborhood area group to assist in setting standards and to provide resources and information for developing the action plan for that area. I see these panels as a voluntary group made up of neighborhood professionals and those from the larger Portland community - land use planners, architects, lawyers, designers, remodeling contractors, etc. Their work might include setting the standards for individual properties which present unusual problems. An example might be a house which meets basic code but for other reasons needs work to become an asset to the neighborhood. These professionals would set the standards for the work to be done, would monitor quality of projects, and assist in whatever advisory ways the neighborhood should determine.

Rental property, duplexes, and apartments must be brought up to the same standards as single-family property. I do not see this program encourageing income property development, however. I believe that the strength of the neighborhood impact must come from a large increase in owner occupied property. Affiliated programs may be created to provide for investor development which would meet the same standards.

While I envision that most of this work would be done through non-profit groups, there are two ways in which the profit-making residential remodel remodeling contractor might become a partner.

The first way in which the particular expertise of the residential contractor should become active is in an advisory role. This involvement should use the planning, designing, and specifying experience of the successful professional. By using the best residential remodeling expertise available, the programs can make use of those creative and business elements which have enabled success. To start the program with the best possible advisors available seems only logical. The participation of residential remodeling contractors on the advisory teams for each neighborhood should be a requirement.

A second way in which profit-making remodeling professionals might be involved demands an active role. After the plans have been worked through for a specific geographic area, and the financing packages are in place, the profit-making general contractor might bid on developing and producing the whole project. While there would be very strict guidelines and restrictions on the work to be done, on the percentage of homes which must be owner occupied, and on the percentage of homes to fall into the subsidy plan, there could be a larger plan and financing package which would include the vacant land and additional properties which could be developed at a higher profit margin. The existence of a plan, financing, and the promise of neighborhood redevelopment might make this an attractive project for the civic-minded, for-profit contractor. I believe that the potential exists for a more efficient job with less red-tape if the projects are done by the private sector, but the guidelines and specifications must be very clear, demanding conformation to the standards of the development group.

Neighborhood redevelopment done on this model, or variations, can work, but it must be subsidized. In order to increase the homeownership enough, two things must occur. 1) Each involved property must be subsidized by about $15,000. and equally important, 2) the neighborhood must not only participate, but be very actively involved. The program must be built on the existing strengths of the neighborhood - its resident leaders - if it is to work and be the success which is required for the health of city neighborhoods.

Sincerely,

Neil Kelly

Neil Kelly
Neil Kelly Co., Inc.

NK/db